

SURVEYORS VALUERS AND AUCTIONEERS OF REAL ESTATE

**Healey & Baker**  
23 St. George Street, Hammer Square,  
London W1A 2BG 01-629 9282

No. 26.931

Monday March 29 1978

\* 10p

CONTINENTAL SELLING PRICES: AUSTRIA S.13; BELGIUM F.29; DENMARK K.2.75; FRANCE F.2.20; GERMANY DM1.70; ITALY L.300; NETHERLANDS F.1.50; NORWAY K.2.75; PORTUGAL Ec.13.50; SPAIN Ptas.36; SWEDEN K.2.50; SWITZERLAND F.1.50.

**Thwaites**  
3 TON ALLDRIVE DUMPER

Thwaites Engineering Co Ltd  
Leamington Spa  
Tel: 01926 22471

## FINANCIAL TIMES

GENERAL BUSINESS

### Double delay after blast

Two people were still critical after the bomb blast at the Ideal Home Exhibition Olympia, London, on Saturday afternoon, in which 85 people were injured.

Seven of the victims were in hospital, and at least eight were in hospital, and two have limbs.

The two West London hospitals dealing with the casualties, St. Stephen's, Fulham, and the King George's Hospital, a breakdown in their major accident procedures delayed some to the incident by ten minutes.

About 15,000 people were at Olympia when the bomb exploded without warning, Mr. J. Gormley, managing director of the exhibition, said. The order to evacuate the building was given for 12 minutes because it seemed it was just a false alarm. It took ten minutes for the crowd to clear.

### City checks

Visitors to the Daily Mail exhibition, which continues until the end of this week, are now to be checked.

Commander Roy Johnson, head of Scotland Yard's Anti-Terrorist Squad, said to landlady of London dining houses who might have been about tenants to be checked immediately.

Johnson said the bomb planted waste bin was of similar design to those used in attacks on the London Underground. The Provisional IRA and the Irish Volunteer Force, a breakaway group, contacted the Press in stake rival claims for the attack.

Mr. Robin Corbett, Labour MP for Hemel Hempstead, is to be the Home Secretary to probe an allegation that a Provisional IRA agent infiltrated Scotland Yard's Special Branch and leaked anti-terrorist plans.

### Devolution 'may need referendum'

English Labour MPs may demand a referendum in England, Scotland and Wales as the move for co-operating in legislation to create an elected Scottish Assembly. Mr. Eric Hoffer, a member of the party's National Executive, warned the Scottish Labour movement.

### U.S. bribes probe

Mr. Elliott Richardson, U.S. Commerce Secretary and former Ambassador to Britain, is to head a Cabinet-level investigation into alleged illegal payments by U.S. corporations overseas.

### £15,000 reward

Scotland Yard has offered £10,000 and Group Four £5,000 for information leading to the conviction of the five masked raiders who ambushed a security van and shot dead a guard on an A2 slip road near Durriford, Kent. Eleven tanks of money were seized in the daylight raid.

### Prince at funeral

The Queen will be represented by Prince Philip, Duke of Edinburgh, at the funeral of Field Marshal Lord Montgomery of Alamein at St. George's Chapel, Windsor, on Thursday.

A memorial service will be held in St. Paul's Cathedral on Monday, May 5.

### Briefly...

Britain has formally recognised the new regime in Argentina. Editorial comment, Page 12.

Rail fares went by an average of 12 per cent. yesterday, and British Rail warned that further increases may be needed this year. Page 4.

Mr. Peter Hain, the Young Liberal leader, is to stand trial for the 1974 Bailey today, accused of stealing £500 from a bank. He denies the charge.

Mr. John Diefenbaker, former Canadian Prime Minister, 80, will make a Companion of Honour by the Queen at Windsor after this week.

Premium Bond £50,000 prize goes to Devon holder of No. ITT 096520.

### Consumer confidence continues to grow

Consumer confidence in Britain stands at its highest level since the Financial Times survey was started in 1970. The recovery which first emerged at the beginning of the year was sustained in March.

Consumer confidence in Britain stands at its highest level since the Financial Times survey was started in 1970. The recovery which first emerged at the beginning of the year was sustained in March.

GROCERY prices continued to rise in March, but at a slower pace than in most recent months. The FT grocery price index showed a 2.3 per cent. increase, largely as a result of higher prices for fruit and vegetables, particularly potatoes and tomatoes. Page 9.

BANK LOANS in U.K. manufacturing industry fell by £5m. in the past three months to under £7bn. in spite of recent signs of recovery in economic activity. Back Page.

GENERAL MOTORS is planning to distribute Polish-made trucks in Western Europe under a joint venture agreement with the East Europeans. The deal would clearly have some impact on European sales by Bedford, its U.K. subsidiary. Back Page.

### City investors plan to take North Sea stake

MAJOR CITY investment institutions may form a syndicate to take a stake in North Sea oil development. A scheme is under discussion under which they would put up around £500 million to buy into offshore operations, writes Roy Daffer, Page 1.

THREE of Britain's warship builders claim that the Ministry of Defence's estimate of design changes, should share responsibility for delays in the completion of vessels for the Royal Navy. Back Page.

WORLD TANKER surplus and the related crisis of shipyard overcapacity are to be discussed at top level meetings in London and Paris this week. Page 4.

LIGHTING industries Federation has been invited to Ministerial talks as a result of its call for urgent action against the alleged dumping of 30m. East European light bulbs in the U.K. Page 4.

A THOUSAND tons of Ulster beef, nearly 5 per cent. of Britain's weekly consumption, is due to be sold to around 250 butchers on the mainland because of changes in the EEC support system for farmers. The move threatens further price increases while supplies are at a seasonal low. Page 4.

TRADE UNION critics of the Government warn that without a change in direction on public expenditure and a major attack on unemployment, union co-operation in another round of pay restraint is unlikely. Page 7.

ITALIAN trade unionists are forecasting "violence in the streets" if the Government blocks threshold payments, as suggested by Sir. Paolo Batt, Governor of the Bank of Italy. Page 5.

SELBY MINE development by National Coal Board is expected to receive formal planning permission from the Government this week. Work will begin immediately, but it could be five years before the huge drift mine makes a major contribution to Britain's coal stocks.

BRITISH ENKALON has emerged from 1975 "leaner and more efficient" and is poised to take advantage of any upturn in trading conditions, shareholders are told. Page 22.

BALANCE SHEET of Transport Development Group shows "immense strength," says the chairman Mr. J. R. Duncan in his annual report. Net cash and deposits at the year-end showed a jump to £7.2m. (£1.3m.). Page 22.

MONTEFIBRE, Italy's largest synthetic fibre and textile group, has announced a 1975 loss of £116.8m. (£175m.). This represents almost half its turnover. Page 23.

# Cambridge group forecasts 1.5m. unemployed by 1980

BY OUR ECONOMICS STAFF

A level of unemployment higher in 1980 than at present, and a lower level of real earnings, are forecast by the Cambridge Economic Policy Group in a review published to-day.

Even with a continued depreciation of sterling relative to international cost levels, export volume will rise by only 9 or 10 per cent. This would be sufficient to support no more than a 3 per cent. growth rate.

Unemployment would then be 1.5m. at the end of the decade, or up to 2m. with a little bad luck. Adult unemployment now is 1.2m. on a comparable basis.

The group calls for a radical strategy of long-term import controls. Such a strategy would conflict with British accession to the Treaty of Rome, the GATT Articles and other major trading relationships.

Import controls are seen as the one feasible way out of the cumulative cycle of decline. The only alternative is seen as a massive 40 per cent. nominal devaluation, which would hit real earnings much harder, he just as difficult to negotiate internationally and have dangerous inflationary implications.

The Cambridge economists reject any sort of fiscal stimulus as a remedy. They oppose this not only on long-term grounds, but because they believe that the economy is on the verge of a rapid if temporary upturn. Moreover, they do not expect the inflation rate to fall below 13 per cent.

In contrast to Mr. Denis Healey's hints about a modest stimulus in the forthcoming Budget, the Economic Policy Group insists that the public sector deficit measured in 1975 prices needs to fall by £5bn. between 1975 and 1977.

The recent rise in unfilled vacancies and the sharp jump in the money supply, which were published after the Cambridge review went to Press, add force to their recommendation.

Mr. Francis Cripps, an adviser to Mr. Anthony Wedgwood Benn, the Energy Secretary, is a leading figure in the Cambridge group. But the review is not intended as a political document. It has in any case appeared a week too late to help Mr. Benn in the Labour leadership contest, though it will doubtless be used to rally support behind the remaining Left-wing candidate, Mr. Michael Foot.

## Electoral fears

The head of the Cambridge group, Mr. W. G. Godley, is director of the Cambridge Department of Applied Economics and was formerly head of economic research in the Treasury, and has been a consultant to that Department at various times in the last couple of years.

Whatever arguments there might be about the detailed

# Battle for Christian areas as Lebanon truce bid fails

BY OUR FOREIGN STAFF

FIGHTING for control of Lebanon's shrinking Christian enclaves became more fierce last night as talks in Damascus aimed at ending the civil war and pulling the country back from partition broke up in disarray.

Amid reports that President Suleiman, Franjib of Lebanon had offered to resign immediately a new Head of State is elected, his Syrian counterpart, President Assad, failed to persuade Left-wing and Palestinian leaders to call off their offensive after nine hours of talks.

In the Christian stronghold around the port of Jounieh, north of Beirut, a small armada of hired craft picked up refugees fleeing to Cyprus with a few belongings. In the hills above the capital and in Beirut itself, fighting raged between the sides of the sectarian divide fought with artillery, mortars and machine guns. Last night, the Left wingers claimed to have captured the strategically important Heliport. Beirut airport was jammed with departing Lebanese.

Both Egypt and Jordan have called for immediate intervention by Arab States to halt the fighting. After a meeting of the National Security Committee in Cairo an Egyptian spokesman said Egypt had asked for a "joint Arab symbolic peace-keeping force" to be dispatched to Lebanon. This was interpreted by observers as an effort to forestall unilateral action by Syria, which has consistently rejected such calls.

It was also learnt that King Hussein of Jordan, who visited Damascus over the weekend to discuss the crisis, had suggested to Syria that such a force be mounted but this was also rejected.

## Arafat calls

Last night, a Syrian army spokesman announced that "on instruction of President Assad" special units of the Syrian army, including a parachute troop, would be by helicopters and paratroopers supported by the air force, executed a tactical military operation using live ammunition and sophisticated weapons.

This announcement increased speculation about the possibility of Syrian intervention in Lebanon, though unilateral intervention by Syria is still regarded as unlikely.

The meetings in Damascus over the weekend between President Assad and, principally, Mr. Kamal Jumblatt, Druse leader of the Left-wing forces, and Mr. Yassir Arafat, the guerrilla leader, are reported to have broken down over Mr. Jumblatt's refusal to call off his forces before Mr. Franjib's resignation. Yesterday afternoon, the Palestinian news agency Wafa announced that Arafat and two other PLO leaders had met President Assad for five hours.

In his talks with Jumblatt, Assad suggested, as a way of retaining the confidence of the Christians who remain politically resolute and militarily justified, that Mr. Franjib should go only after a ceasefire and elections for a new President. The meetings were said to be perfunctory at times and, judging by the subsequent statements, may have seriously undermined Syria's influence with the Muslim Left.

Mr. Jumblatt said yesterday that nothing had been achieved by his Syrian visit and that the leaders in Damascus did not fully understand the situation.

# Tory plan for a network of activists in trade unions

BY CHRISTIAN TYLER, LABOUR STAFF

CONSERVATIVE PARTY headquarters is using a network of activists within trade unions and industries who, with training in the tactics of the Far Left, are being encouraged to win control of union branches and spread Conservative policies.

This counter-attack on the Left-wing militants at grassroots level is part of a strategy designed to overturn the tradition that good trade unionism and Conservative ideology are irreconcilable.

It is also the reason for the decision by the Conservative Central Office to draw up and circulate lists of "moderate" candidates for trade union elections at district and national level.

Yesterday Mr. Clive Jenkins, general secretary of the Association of Scientific, Technical, and Managerial Staffs, also one of the Tory targets, said the idea was "basically silly". But he agreed it was said because it could mean everyone setting out in all union elections, including presumably Labour Party headquarters.

At the centre of the campaign is Mr. John Bous, head of the Conservative trade union department at Central Office and a member of ASTMS.

Explaining the strategy yesterday Mr. Bous said: "We are trying to ensure that union leaders at all levels are happy to work with a Conservative Government—or with any Government."

"It is an extreme interference, we are not advising members of our organisation, Conservative Trade Unions, within the union movement."

Essentially, the campaign consists for the first time of encouraging Conservative voters to join trade unions, and once they are turned up at branch meetings, run for office in the branch, and meet Left-wing activists head-on.

Members of this movement (no membership list is available) are being instructed in the tactics of the Communist Party and the International Socialists, so that they can apply them too.

They are learning how to spread supporters round a room so that the applause for resolutions appears to come from all sides. They are learning the value of intimate acquaintance with union rule books, and how to stretch out a meeting so that opponents become bored and leave before the votes are taken.

Mr. Bous insists that the aim is fundamentally democratic: to ensure by good branch attendance that the officials elected are the ones who "put their

## Leyland strikers decide to-day

By Christian Tyler, Labour Staff

THE 32 British Leyland tool-makers, whose strike is potentially the most damaging of three walk-outs affecting the company, will decide to-day whether to accept Department of Employment advice that payment of promised interim pay rises would breach the incomes policy.

The three strikes have already caused Leyland production losses of £14m. in retail terms.

The 32 toolmakers work at Leyland's SU Carburettor subsidiary in Birmingham, which supplies carburettors for all BUs cars and vans. The company said yesterday, however, that stocks were sufficient "for a week at least."

Two other strikes, also involving toolmakers, have halted production of five models at the Triumph car assembly plant in Coventry and output of Range Rovers and Land Rovers at Solihull. In all the disputes the grievances procedure has been exhausted.

Another 800 men at Triumph factories in Speke, Liverpool, are expected to be laid off to-day, further hitting production and bringing the total made idle by disputes to nearly 8,000.

Management-union talks on the Triumph strike, where 350 men are claiming rises of £1.35 a week to £10.00, have been adjourned after nine hours at the weekend.

But no meetings have been arranged on the Rover dispute, where 400 toolmakers at seven plants in the Midlands and one at Cardiff are seeking back pay for premium work they say is due to them under a national toolroom agreement.

The fact that toolmakers are involved in all three disputes is part of a growing problem of narrowing differentials.

The company is standing firm against the Triumph and Rover claims. At SU Carburettor, however, the issue is directly linked with the 28 policy and the rule that there must be a gap of 12 months between rises.

Pay rates and rises for SU men have lagged behind those for others elsewhere in Leyland. The company agreed last April to deal with the parity problem in November last year and again this autumn. But, apparently because no specific figures were agreed for November, 1975, payment, the Department has ruled that no interim rise can now be given.

At Ford's Motor's Halewood assembly plant, where there was extensive loss of production last week, work is expected to resume this morning. The trouble arose when 20 solderers demanded pay parity with Dagenham workers.

## NECK AND NECK IN SECOND BALLOT

# Stage set for Callaghan to succeed

BY PHILIP RAWSTORNE

THE SECOND round of Labour's leadership election, which closes to-morrow, has developed into a close-run contest between Mr. James Callaghan and Mr. Michael Foot.

Mr. Denis Healey's hopes of challenging the Foreign Secretary for the party's centre-right vote faded rapidly at the weekend. The Chancellor's supporters, who admitted yesterday that he was unlikely to secure more than 40 votes, would be eliminated.

The stage is thus set for Mr. Callaghan to succeed Mr. Harold Wilson as Prime Minister next Monday—but with Mr. Foot established as a powerful figure in the new Cabinet.

Mr. Callaghan's campaign, who met yesterday to analyse their latest canvass of Labour MPs, agreed that the Foreign Secretary was running neck-and-neck with Mr. Foot in the second ballot.

Their count—corresponding closely with a poll conducted by London Weekend Television's Weekend World and The Sunday Times—gave the front-runners between 135-140 votes each, with Mr. Healey trailing well behind on the 40-vote mark.

"We are taking nothing for granted," said a Callaghan campaign manager. "But it would be incredible if we did not gain the majority of the Healey vote in the play-off."

Some of Mr. Foot's friends are still buoyantly optimistic, and predict that if he could retain a narrow lead to-morrow, he could yet emerge the victor.

They have been heartened by the switch of some pro-Jenkins MPs, such as Mr. Brian Walden, MP for Birmingham Ladywood, to their side, and believe that

Further limited production, aimed at keeping the line ticking over in anticipation of orders beyond those already received from British Airways and Air France. The British view is that, with several aircraft still to be sold and severe pressures on financial resources in the U.K., additional Concorde production can only be justified as and when new orders are received.

It is clear nevertheless that the U.K. will adopt a cool approach to expected French proposals for

More than a wing and a prayer, Page 21.

**Hillier Parker**  
May & Rowden

cover the whole country and overseas

FACTORIES, WAREHOUSES INDUSTRIAL SITES			
*ABINGDON	sq. ft.	*LUTON	sq. ft.
*BARNBURY	75,000	*MANCHESTER	27,000
*BIRMINGHAM	55,000	*NEWPORT	45,000
*BRENTFORD	80,000	*NORTHAMPTON	125,000
*CAERPHILLY	8/55,000	*NOTTINGHAM	47,000
*CARDIFF	20,000	*ROMFORD	37,500
*CANTERBURY	10,750	*SHEFFIELD	95,000
*FOLKESTONE	12/24,000	*SOUTHAMPTON	19,500
*HERNE BAY	1/15 acres	*SOUTHEND	22/68,000
*HUNCKLEY	5/10,000	*SOUTHWARK E.S.	5/30,000
*KINGSLY	20,000	*STOCKTON-ON-TEES	24,000
*KLEICESTER	10/100,000	*TAMWORTH	46,500
	140,000		15,000

FOR DISPOSAL

77 GROSVENOR STREET, LONDON W1A 2BT 01-629 7866  
and City of London, Edinburgh, Paris, Amsterdam, Sydney, Melbourne, Brisbane.





21	26	30	34	38	44	48	53	57	61
65	70	107	138	181	167	171	175	202	206
210	225	241	245	251	255	283	312	316	321
426	430	442	449	476	482	486	510	515	519
525	530	534	539	554	558	562	566	571	576
579	584	589	593	598	623	627	632	637	641
645	649	653	657	661	670	674	678	683	687
691	695	701	705	708	717	717	720	724	728
732	743	748	752	756	760	764	796	800	820
836	843	847	851	856	880	884	888	887	896
902	910	918	926	931	935	940	950	954	960
965	973	978	982	986	990	994	1006	1010	1014
1015	1019	1025	1029	1060	1080	1084	1088	1094	1098
1102	1107	1111	1117	1121	1126	1130	1134	1140	1144
1148	1152	1157	1161	1165	1170	1174	1178	1183	1188
1342	1346	1351	1355	1359	1363	1368	1373	1377	1382
1386	1390	1394	1398	1403	1407	1413	1417	1422	1426
1434	1463	1467	1475	1479	1522	1526	1532	1536	1541
1545	1549	1553	1558	1623	1626	1632	1637	1641	1645
1649	1654	1658	1662	1667	1672	1676	1681	1685	1689
1683	1698	1702	1708	1712	1716	1720	1724	1729	1733
1737	1742	1746	1750	1754	1758	1762	1766	1771	1775
1935	1939	1944	1948	1953	1958	1962	1966	1971	1975
1979	1983	1989	1993	1997	2002	2006	2010	2014	2019
2025	2027	2033	2037	2041	2045	2050	2054	2058	2063
2067	2072	2076	2081	2085	2089	2094	2098	2102	2106
2112	2117	2121	2126	2130	2134	2138	2142	2146	2150
2331	2335	2340	2344	2348	2352	2357	2361	2365	2369
2475	2479	2483	2488	2492	2496	2500	2505	2509	2514
2519	2523	2527	2531	2536	2540	2544	2549	2553	2558
2563	2567	2571	2575	2580	2584	2588	2592	2596	2602
2607	2610	2614	2618	2623	2627	2631	2635	2639	2644
2659	2664	2723	2734	2739	2820	2854	2916	2921	2924
2961	2966	2976	2991	2995	3014	3018	3023	3026	3037
3042	3047	3052	3064	3068	3073	3151	3156	3159	3164
3168	3172	3177	3181	3185	3189	3208	3213	3214	3219
3223	3227	3231	3235	3239	3243	3247	3251	3254	3259
3347	3352	3356	3360	3375	3380	3384	3388	3393	3397
3401	3406	3410	3414	3419	3423	3427	3442	3447	3459
3477	3481	3489	3497	3507	3511	3515	3520	3524	3529
3533	3538	3543	3548	3553	3557	3562	3566	3571	3576
3635	3639	3656	3675	3683	3694	3694	3728	3753	3769
3763	3779	3789	3821	3826	3830	3833	3836	3841	3846
3967	3962	3988	3973	3977	3981	4009	4014	4018	4022
4026	4042	4038	4040	4045	4049	4054	4059	4063	4067
4117	4127	4132	4137	4142	4147	4151	4156	4160	4164
4246	4250	4255	4259	4263	4268	4272	4276	4280	4287
4291	4295	4300	4304	4308	4312	4316	4321	4327	4333
4337	4341	4346	4350	4354	4373	4377	4381	4387	4407
4413	4417	4421	4425	4429	4433	4437	4441	4445	4451
4524	4528	4533	4538	4547	4579	4583	4591	4623	4631
4653	4670	4674	4679	4683	4688	4694	4699	4703	4708
4712	4716	4721	4725	4732	4736	4741	4747	4751	4756
4800	4857	4827	4831	4834	4837	4851	4854	4857	4861
4897	4901	4929	4940	4949	4954	4958	4963	4967	4976
4980	4985	4999	4993	5001	5005	5009	5013	5022	5031
5036	5039	5043	5048	5053	5057	5061	5065	5069	5073
5109	5113	5120	5140	5144	5161	5176	5180	5184	5190
5194	5198	5203	5212	5216	5234	5239	5243	5251	5255
5261	5270	5276	5296	5301	5338	5340	5368	5377	5382
5401	5414	5418	5455	5459	5480	5480	5492	5497	5502
5557	5562	5567	5572	5576	5580	5602	5639	5639	5652
5656	5661	5676	5681	5685	5689	5693	5697	5712	5716
5720	5724	5734	5748	5753	5759	5763	5767	5772	5776
5781	5786	5796	5796	5806	5810	5814	5818	5822	5826
5839	5848	5852	5856	5859	5873	5877	5882	5886	5891
5896	5900	5904	5914	5918	5922	5926	5931	5947	5951
5955	5961	5965	5969	5973	5978	5982	5986	5992	5996
5999	6003	6008	6013	6018	6022	6026	6030	6034	6038
6044	6048	6053	6057	6061	6066	6071	6075	6079	6084
6093	6106	6110	6114	6118	6123	6128	6131	6175	6179
6183	6188	6192	6196	6201	6206	6210	6214	6219	6223
6227	6232	6236	6240	6244	6255	6260	6264	6800	6804
6810	6816	6866	6870	6874	6878	6882	6886	6890	6894
6777	6793	6793	6797	6797	6798	6792	6797	6811	6815
6819	6826	6891	6896	6901	6905	6917	6950	6955	6959
6963	6967	6971	7013	7017	7021	7026	7030	7034	7038
7068	7082	7086	7103	7107	7117	7136	7150	7156	7163
7167	7171	7177	7188	7192	7197	7201	7205	7209	7214
7218	7223	7228	7232	7236	7240	7245	7249	7253	7278
7287	7307	7313	7316	7322	7326	7331	7335	7339	7343
7358	7362	7366	7370	7374	7378	7382	7386	7390	7416
7421	7426	7429	7434	7438	7442	7477	7481	7486	7491
7495	7499	7504	7515	7519	7535	7542	7591	7604	7608
7652	7656	7661	7655	7659	7673	7678	7682	7704	7748
7749	7754	7758	7762	7766	7770	7774	7778	7782	7786
7800	7824	7828	7832	7857	7874	7902	7914	8022	8026
7929	7934	7938	7942	7946	7951	8006	8011	8022	8026
8030	8035	8040	8046	8052	8056	8061	8066	8127	8132
8137	8142	8146	8151	8156	8161	8166	8171	8176	8181
8316	8320	8324	8331	8338	8346	8351	8356	8367	8372
8379	8383	8394	8398	8418	8422	8436	8433	8437	8441
8445	8460	8465	8468	8474	8482	8486	8491	8496	8499
8503	8508	8513	8518	8523	8528	8533	8538	8543	8548
8554	8600	8605	8610	8614	8619	8627	8631	8649	8654
8659	8863	8712	8724	8754	8758	8762	8833	8787	8791
8796	8801	8815	8819	8824	8828	8832	8842	8858	8862
8867	8872	8876	8880	8884	8888	8892	8896	8900	8904
8824	8929	8934	8938	8942	8946	8950	8954	8958	8964
8969	8973	8977	9010	9015	9029	9033	9037	9042	9046
9051	9058	9062	9066	9069	9093	9097	9101	9106	9113
9117	9122	9126	9130	9134	9140	9144	9148	9159	9169
9177	9182	9210	9215	9220	9224	9228	9232	9236	9240
9305	9310	9314	9318	9323	9327	9337	9342	9346	9353
9355	9366	9377	9382	9395	9400	9404	9409	9414	9424
9438	9443	9447	9451	9455	9460	9464	9477	9482	9486
9497	9502	9506	9510	9515	9519	9523	9527	9531	9535
9545	9554	9556	9571	9582	9588	9592	9596	9601	9605
9624	9638	9635	9644	9649	9653	9657	9664	9668	9683
9693	9698	9702	9706	9712	9741	9746	9757	9768	9773
9783	9787	9791	9795	9799	9803	9807	9811	9815	9819
9836	9841	9845	9849	9853	9857	9861	9865	9869	9873
9896	9901	9905	9910	9917	9921	9944	9948	9953	9957
9980	9984	9989	9994	9998	10002	10007	10011	10015	10020
10024	10049	10054	10058	10062	10072	10076	10080	10084	10088
10092	10096	10100	10104	10108	10112	10116	10120	10124	10128
10133	10139	10143	10150	10154	10158	10163	10167	10171	10175
10183	10198	10203	10208	10212	10216	10220	10225	10229	10233
10238	10245	10249	10250	10254	10258	10302	10312	10316	10321
10326	10333								

## OVERSEAS NEWS

## Italian unions object to payments freeze plan

By DOMINICK J. COYLE

ITALIAN TRADE unions have reacted sharply to a suggestion put publicly but unofficially to Signor Paolo Baffi, Governor of the Bank of Italy, that the Government should put on all threshold payments in wage contracts as part of measures to tackle the country's present economic crisis. Signor Baffi was among those attending a top-level meeting here at the weekend presided over by the Prime Minister, Aldo Moro, held in the presence of Italian Treasury officials and representatives of the International Monetary Fund. The Government is now to meet on April 6 with the three main national labour confederations for general discussions on the economic crisis and in particular to try to reach agreement on a number of outstanding key labour contracts. These talks will take place against the background of increasingly pessimistic but still unofficial estimates that Italy's inflation rate this year could well exceed 20 per cent.

## CI hits back at Moscow

Italian Communist Party leader Enrico Berlinguer today strongly defended against Soviet attacks on its brand of Marxism, saying that its policies are in line with the specific needs of the party line was spelt out in a lengthy and detailed analysis in the official newspaper, L'Unita, signed by Signor Berlinguer, a young member of the PCI's nine-man secretariat known to be close to party leader Enrico Berlinguer. Signor Berlinguer defended the Italian party's policies against a scathing attack made 11 days ago in Moscow by the Kremlin's chief ideologist Mikhail Suslov, who spoke out against regional or national versions of Marxism which he said "have nothing in common with revolutionary theory and do harm to the cause of the working class."

## Spanish Left unites as fears of violence grow

TWO main opposition parties are due to announce the details of their pact aimed at giving the country a united democratic front to the present regime. The pact, which involves the 15 or so parties involved in the two main opposition fronts, the Democratic Party and the Communist Party, brings together the main left wing Christian Democratic party, Social Democrats, and represents a major step towards a united front. The pact is a blow to the present attempts to isolate communists. It comes against a background of mounting anxiety about the possibility of fresh street clashes in the fortnight before the elections, which are expected to be held in May. The pact is a blow to the present attempts to isolate communists. It comes against a background of mounting anxiety about the possibility of fresh street clashes in the fortnight before the elections, which are expected to be held in May. The pact is a blow to the present attempts to isolate communists. It comes against a background of mounting anxiety about the possibility of fresh street clashes in the fortnight before the elections, which are expected to be held in May.

## Mitterrand counter-attacks

PARIS, March 28. MINISTER M. Jacques Chirac, castigating him for his "insolence" and "madness" in attacking the President after the speech. He also accused the Left of fermenting union unrest and warned of chaos if the opposition won the Parliamentary elections of 1978. The reforms already promised would go ahead. But the PM warned his audience that squabbling and quarrelling between Gaullists, Independent Republicans and Centrists inside the coalition would have to stop as well. M. Giscard d'Estaing himself plans to set down his blueprint for an "advanced liberal society" in a written manifesto. This is intended not only as a tangible alternative to the joint programme long since drawn up by the Socialists and Communists, but as a means of stilling the doubts of his Centrist supporters that he is going to quietly drop proposed reforms—on the strength of which they backed him in the May, 1974 Presidential election.

## Ita names ministers

BUENOS AIRES, March 28. ARGENTINA'S military junta named eight Cabinet ministers to be sworn in to the new President, General Jorge Rafael Videla. The list includes two army and two officers each from the Army, Navy and Air Force.

With the toughest Senator Jose Martinez de Hoz, a member of Argentina's largest steel firm, has served as Minister before, in under the Presidency of the late President. For the past 15 years he has been President of the largest steel firm.

## WANTED N.Y. PUBLISHER

book publisher seeks manuscripts in types: fiction, non-fiction, science and religious works. authors welcomed. Send material to: N.Y. Publisher, 100 St. New York 10001.

ROME, March 28.

of state and private sector employees for price inflation of such proportions would, it is feared, and given unchanged spending and/or fiscal policies, make a nonsense of undertakings which, Italy has already given to the EEC on the expected level of the 1976 public sector deficit.

These undertakings were part of an agreement whereby Italy secured earlier this month a Community-backed loan of \$100m. and Italian officials and Brussels Commission representatives are scheduled to meet in the next few weeks to work out a formula for monitoring progress on the overall level of State spending. The likely Treasury deficit and Italian credit policy generally.

Even moderate trade union leaders are forecasting "violence in the streets" if threshold payments are blocked, and Confindustria, the main employer organisation, is also understood to be opposed to such a step, arguing that at best, it would effectively break down the concept of national wage negotiations and return the argument to almost certainly highly disruptive plant by plant bargaining.

Although attributed widely to him by the Italian Press, Signor Baffi has not himself accepted responsibility for the suggestion of blocking cost-of-living payments, and it is possible that the Government has floated the idea to gauge trade union reaction.

## VW to raise car prices

By Adrian Dick

BONN, March 28.

VOLKSWAGEN, which held about one-quarter of the market for private cars in West Germany during the first two months of this year, announced over the weekend that it is raising prices on the home market by an average 4.6 per cent, with effect from tomorrow.

For the Golf, which with 26,456 units sold in January and February remains West Germany's single most popular model, the price increase is from DM7,995 (£1,631) to DM8,325 for the basic version.

The price of the Passat, Volkswagen's next largest and next most popular model in its new range, will go up from DM10,190 to DM10,685. There will be larger increases further up the model range, with the luxury Audi 100 rising from DM14,495 to a new level of DM14,285.

It remains to be seen whether other German manufacturers will follow VW's lead on the still buoyant car market.

The Supervisory Board of Volkswagenwerk is expected to approve the company's long existing plans to open its own assembly plant in the U.S., according to sources close to the company, reports AP-DJ from Wolfsburg.

## Nixon's 'last days' may become a presidential campaign issue

By DAVID BELL

WASHINGTON, March 28.

THE devastating portrait of President Nixon's last days in office which emerges in the new book by the two reporters who first broke the Watergate story threatens to bring the whole issue back into the centre of the political stage with unpredictable consequences for the election campaign.

But is it just the book? Next week-end there is also the premiere of "All the President's Men," the film of the first book by the two Washington Post journalists, Bob Woodward and Carl Bernstein. With Robert Redford and Dustin Hoffman playing the two reporters this film is expected to play to packed houses all over America. Meanwhile the second book—"Final Days"—starts serialisation in a major news magazine tomorrow.

President Ford, campaigning in California, was quick yesterday to attack the book saying he wished such reporting did not exist and that he had never seen any evidence to confirm any of the allegations made in the book. But, as the man who pardoned Mr. Nixon, he is more aware than anyone that Watergate still remains a major issue just below the surface. Whether it will become an open issue, or whether these media events will trigger sudden resentment at the pardon remain to be seen.

Many of those quoted in the book have refused to comment or denied much of what it says. Dr. Kissinger said yesterday that it was so full of inaccuracies that he would not comment on it in detail. Yet the two men have interviewed some 394 people in a year of research and they have stuck to their earlier principle that they will not quote as fact anything that has not been independently confirmed by at least two sources.

As fears for the President's sanity grew, General Haig, his chief assistant in the final months, is reported to have ordered all sleeping pills and other drugs to be removed from the President. Suicide is never far from his mind. "You fellows in the army have a way of dealing with this. Somebody leaves a pistol in the drawer," Mr. Nixon is said to have told the General.

## Suicide threats

Mr. Nixon appears in the book disconsolate and out of control, drinking heavily threatening suicide, harrying his aides and secretly monitoring and transcribing all Mr. Nixon's phone calls, talks scathingly of him as "irrational" and a "madman."

On the night before his resignation, he kneels and prays with a sobbing President in the Lincoln sitting room in the White House. Tears streaming down his face, Mr. Nixon is portrayed beating the floor crying "what have I done?"

Then there are H. R. Haldeman and John Ehrlichman, who like the other Watergate defendants are still appealing their convictions. Called the "Nais" by Kissinger, they are reported to be still telephoning Nixon right up to the end of his presidency.

begging for a pardon and accompanying their pleas with scarcely veiled threats to expose the President.

Perhaps more serious, if the pardon issue should come to figure in the campaign, is the reporters' repeated claim that even Mr. Nixon's most loyal lawyers had concluded long before he resigned that he was almost certainly lying. Some of them wanted him to quit in November, 1973, others listened open mouthed as he talked of ways of fabricating evidence, dropped clear hints that he had caused the crash of the famous 18 minute gap in one key tape and tried to find a way of burning all the tapes only to be dissuaded because he could not have got away with it.

But it must be the harrowing picture of Mr. Nixon's last days in office that sticks in the mind. One night his son-in-law is reported to have seen him walking through the White House talking to portraits of former Presidents.

## Richardson to head 'payoffs' commission

By David Bell

WASHINGTON, March 28.

PRESIDENT FORD announced last night that Mr. Elliot Richardson, the Commerce Secretary and former U.S. Ambassador to Britain, is to head a Cabinet-level commission that will investigate alleged illegal payments by U.S. corporations overseas.

The Upjohn company yesterday became the latest of these to reveal that it has advanced sums of money "for the purpose of securing sales to Government agencies." In a report filed with the Securities and Exchange Commission, the company said it has paid a total of \$2.7m. to employees of 22 foreign companies or their intermediaries during the past five years.

Presumably the new Commission will be charged with investigating all cases similar to this and particularly the case of the Lockheed Aircraft Corporation. However, Mr. Ford, who released only bare details of the plan at a campaign stop in Wisconsin late last night, said that Lockheed would also have to be dealt with in the context of an international code of conduct for the behaviour of multinational corporations.

The State Department has for some time been working on such a code in the hope that international agreement might put an end to the embarrassing situations like that which has arisen over Lockheed.

Gas

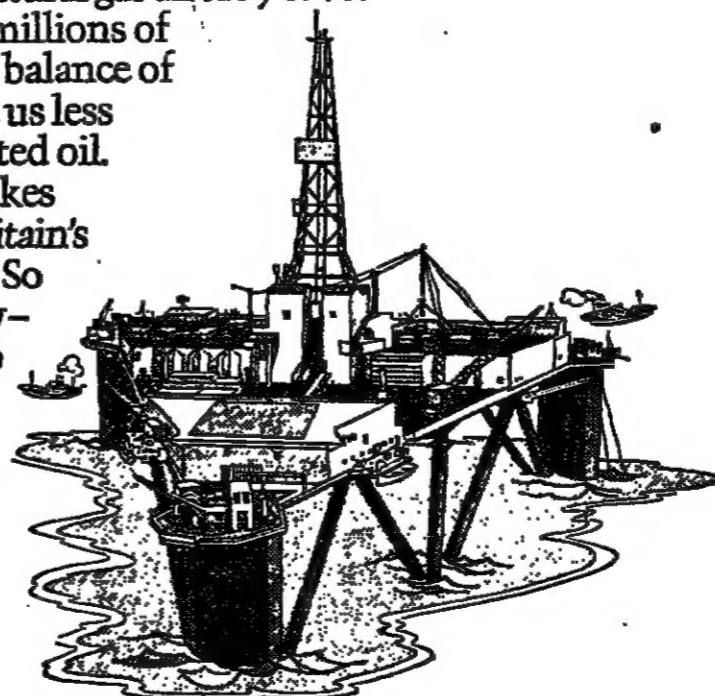
HERE TODAY, HERE TOMORROW...  
...AND FOR A VERY LONG TIME TO COME.

The supplies of natural gas so far discovered (and which Britain has been enjoying for about eight years now) will last Britain for a very long time to come.

And, with the firm expectation of further significant finds in the North Sea and around other parts of the coast, Britain can look forward to enjoying the unique benefits of this clean, efficient fuel into the next century.

What is more, natural gas already saves Britain hundreds of millions of pounds a year on the balance of payments, and make us less dependent on imported oil.

All of which makes natural gas one of Britain's most precious assets. So please use it carefully—it's much too good to waste.



## HOW YOU CAN SAVE GAS AND MONEY

- 1 Use your central heating time clock sensibly
- 2 Turn your thermostat down a degree or two
- 3 Turn off unnecessary radiators
- 4 Insulate your roof space and hot water system
- 5 Have your gas equipment properly maintained and serviced
- 6 Ask at your local showroom for further information about how to save gas—and save money



BRITISH GAS

# The Office World

EDITED BY JOHN ELLIOTT

## FLEXIBLE HOURS

BY ROY LEVINE

# A lead from the Civil Service

BRITAIN'S 564,000 white-collar civil servants have been given a new opportunity to vary the time they spend at work as a result of a manual on flexible working hours now being circulated to all Government departments by the Civil Service Department.

The manual has been agreed by the CSD with national trade union leaders covering the civil servants. It gives guidance on how flexible hours schemes can be introduced as well as explaining both the mechanical equipment needed to monitor working time and the advance consultations which should take place locally with staff.

It is intended that, against a background of this broad guidance, individual Government offices in London and around the country should initiate their own moves with the only qualification that service to the public and efficiency should not be adversely affected.

Basically, flexible working gives employees freedom to choose their office hours each day apart from during a prescribed "coretime," normally from 10 a.m. to 4 p.m., when all employees must be in the office, or have a supervisor's authority to be absent. Records are kept of hours worked and employees can accumulate extra time spent at work which can be used for additional leave.

The movement towards flexible hours in the Civil Service started in 1972 when it was offered as an extra employee perk to help keep staff during a time of staff shortages. But the advantages of the system go deeper than that. It makes a useful contribution to the efforts of the Civil Service to boost staff morale and improve the quality of working life.

Employees have also generally welcomed the greater flexibility and responsibility involved. In some Government offices, the adoption of flexible working hours has eliminated traffic problems because everyone is not arriving and leaving at the same time. There can be relief for the public transport system, too, during peak hours, as has been noted in some Swiss and Canadian cities.

The Civil Service Department (CSD) hopes that most of the 564,000 white collar Govern-

working hours including 120,000 in the DHSS and Inland Revenue. These two Departments have conducted their own experiments for four years last summer when they formally adopted the system. The CSD then gave authorisation last November covering all Government departments.

Included in the figure of 150,000 people are some 14,000 employees in other Departments who have adopted the system since November. The main constraint is lack of money

added up and carried forward into the next period. Once again this can be checked by a supervisor. Staff can accumulate up to 11.1 hours (or 10.8 hours in London) enabling them to 14 days credit leave.

Staff can take off a few hours on a casual basis for credit hours, but need a supervisor's authority to be absent for a half day or full day or during coretime. They cannot accumulate more than 11.1 credit hours—any excess is ignored.

The disadvantage of a manual system is that it uses up a lot of employees' time and hence is costly. The CSD recommends the use of meters to record the number of hours for work-places with fewer than 50 staff and electronic equipment for bigger offices.

Unlike time-clocks, meters record the number of hours worked rather than when an employee starts and finishes work. But the process is similar to clocking-in since each employee has his own key to insert in the meter before he starts work.

Electronic systems are also activated by keys and store the number of hours worked in a central memory. At the top end of the market there are terminals linked to computers that produce weekly time sheets. Costs range widely between £8 to £20 per employee, with an average of around £10.

Under the CSD's code of practice, special credit leave must be given for visits to a doctor, or transport disruptions or trade union meetings, and management can use its discretion for other occasions. Overtime work is agreed beforehand with a supervisor and recorded separately.

From the experiments con-

ducted in parts of the Civil Service, it is clear that there is almost unanimous support for flexible working hours. In both the DHSS and Inland Revenue, over 90 per cent. of staff who had adopted the system did not want to go back to the old system.

There is no evidence, however, that it increases productivity, although both Departments claim it has improved staff morale even though they give no direct evidence like reduced staff turnover. Married women have made more use of the system than the rest of the staff.

At the DHSS staff generally started earlier under the system, took a shorter lunch break and finished earlier. Because work was processed earlier in the day the public received cheques earlier and the remaining office work could be done more effectively.

A fifth of the staff arrived at 8 a.m. and nearly half of them took a 30-minute lunch. They only 15 per cent. left between 3.30 p.m. and 4.15 p.m. Almost two out of every three employees took advantage of flexible working hours every day but not many accumulated long credit hours and the average collected was only 3.7 hours.

Enthusiasm for the system is not confined to the public sector. It is estimated that there are 250,000 people in the private sector now using flexible working hours—six times as many as in 1973. The potential is very much greater. According to a recent Manpower Paper issued by the Department of Employment, half the white collar workforce in Britain (of 13m. people) could eventually have greater freedom to decide what time of the day they could begin and end work.

## Some companies do not fully understand how to finance new equipment, says a BIM report

# When it pays to lease

THE WAY that a company decides to finance the acquisition of new office equipment, whether by outright purchase or leasing, can have important implications for its profits, cash flow, and the amount of tax it has to pay.

Yet a recent survey\* of 202 companies by the British Institute of Management indicates that there is a wide divergence in the extent to which companies understand the benefits of leasing. This applies not only to office equipment but also to assets such as vehicles and machinery.

### Sophistication

Broadly speaking, there is a tendency for bigger companies to lease while smaller companies, with turnovers of £5m. or less, tend to buy equipment, according to the BIM which assumes this is because there is a greater management sophistication in larger companies.

Although half the companies surveyed had altered their acquisition policies over the past three years, no major trend emerged. But three minor trends were discernible. These were: changes towards the use of finance leases for large assets, towards operating leases, and towards the purchase of smaller assets.

The conclusion the BIM came to is that leasing may be found to be preferable to purchase and certainly deserves to be considered.

It can be particularly useful to a small company, it adds, especially where the proposed project is considerably larger than usual, because it creates smoother cash flow and profit. Overall, the scope for growth may be enormous, says the BIM. About 7 per cent. of all capital expenditure in the U.K. in 1974 was spent on equipment for leasing, which is about one-third of the equivalent ratio in the U.S.

Over the seven years to December 1973, the estimated book value of assets leased by the finance houses rose at an average compound rate of 30 per cent. a year. Growth since then has been even higher in money terms, although real growth, after taking inflation into account, has been negative.

No less than 88 per cent. of companies surveyed by the BIM had bought more than two-thirds of their assets, while nearly a third bought all their assets and did not use any leases.

The BIM also found that a little under half the sample had used finance leases to acquire some assets and that over a third had used operating leases.

A finance lease, normally arranged by a finance house, means the lessee pays the full capital cost of the asset (less the expected residual value) plus a service charge which includes interest and profit. An operating lease is normally provided by the manufacturer of

the asset for which he rents.

A further breakdown BIM shows that while were used to acquire equipment, machinery, and office equipment, hire was more popular for a motor vehicles costing £20,000.

### Taxation

There is different treatment for assets acquired a lease and those acquired a hire purchase contract. But it is the deductible from profits purposes. But it is the gets the benefit of capital allowances which allow him off the full value of in its first year. As a this tax position, the is offer favourable rates lessee.

Under a hire purchase tract, an asset is treated as though bought, so that the gets the benefit of allowances.

The BIM recommends the best way to calculate the revenues under each using discounted cash principles, where the cash is given current value.

The Lease-Buy Decision by Alan Sykes, BIM Survey Report No. 29, C

ROY

### The U.K. has been slower to adopt flexible working hours than the Continent. A Civil Service Department manual for Government employees could boost the pace.

ment workers will adopt flexible working hours over the next five years. While the bulk will be in the clerical grades, which tend to work fixed hours, there is no formal constraint imposed by the CSD on who can be involved. Indeed, some sectors of the Department of Health and Social Security (DHSS) have been operating systems which range from typists to Under-Secretaries earning £12,000 a year.

In general, though, senior civil servants who have to work long, unpredictable hours may not want to be part of a formal system of flexible working hours. Whole Departments like the Treasury, where even the clerks work exceptionally long hours, may be reluctant to have a system. So may research staff required to work with their equipment during the night.

So far, some 150,000 civil servants have adopted flexible

for there has been no special financial allowance for flexible working hours and Government offices have had to sacrifice something out of their existing budgets to finance the equipment required.

The CSD's advisory manual suggests that small workplaces with about a dozen people do not need to record the number of hours worked. Bigger offices that want to start a system while waiting for money to buy equipment are told they can record hours worked in writing on a simple form. At the end of each day the time worked is reconciled by each employee with the normal working day of 7.4 hours (or 7.2 hours in London) and the balance is carried forward as a debit or credit. This can then be checked by a supervisor.

At the end of each accounting period (normally four weeks) the debits and credits are

## If your Company has annual travel and entertainment expenses of £10,000 or more, start saving here.

The American Express Company Cards System can save your Company a considerable sum of money each year.

It can also improve your cash flow, tighten expense control, reduce administration and make business travel easier for you and your employees.

The System not only offers direct savings, it is a great deal simpler and more efficient to operate than other expense accounting systems. And it costs very little to introduce into your company.

### How does the System work?

Instead of issuing substantial cash advances to your travelling executives, you issue them American Express Company Cards. With the Card they can settle their major bills for business expenses in the U.K. and abroad, and need only the minimum amount of cash for minor, out-of-pocket expenses.

### 1 You cut cash advanced

With American Express Cards taking care of most expenses, you immediately make a dramatic reduction in the amount of money you have "tied up in floats". This could release thousands of pounds into your cash flow.

To illustrate the point, let us suppose you have 50 regular travellers each with a permanent expense advance of £100. Your company would have £5,000 continually tied up.

With American Express Company Cards in their possession you might not have to advance more than £20 each. Right away you would free £4,800 which could be used as working capital or otherwise invested.

Can you afford to have large amounts of money tied up, possibly incurring a high rate of interest?

Now let us consider the situation when frequent overseas trips are involved. Here the savings become even more significant.

### HOW YOU SAVE



### 2 You are billed on average 45 days after expense

Your savings can increase as much as fourfold through the American Express System. This is because, in addition to cash retained, you are not billed until some 45 days after an expense has been incurred.

This means that instead of having to fund your travelling personnel in advance you get

six weeks extra use of your money, and at no cost. More capital that you can put to profitable use in your organisation.

Are you willing to miss an opportunity to gain this additional finance for your company?

### 3 You save on currency conversions

The American Express Card is like international currency, readily acceptable instead of cash throughout the world. As a result, travelling businessmen do not have to make repeated currency exchanges which, through charges and unfavourable exchange rates, can be very expensive to your Company.

American Express converts all your bills to sterling.

With today's unstable rates of exchange and high conversion charges, wouldn't American Express Company Cards be more economical as well as convenient?



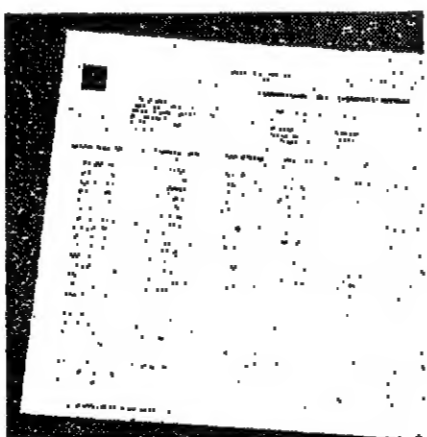
66 In times of inflation we haven't increased our travel allowance... my instructions are that everyone use an American Express Card when they travel for every possible bill they can conceivably pay... I'd rather leave my luggage at home than my American Express Card.

Mr. R. Topple Esq., Chairman of Aviation Company, Sedgwick Forbes Group.

Like Mr. Topple's organisation, well over 150 major British companies are gaining the benefits of the Company Cards System. Here are just a few of them:

Alex. Aluminium (UK) Ltd., C.T. Bowring (Insurance) Holdings Ltd., FM Insurance Company Ltd., Fordol Ltd., The Hogg Robinson Group Ltd., International Distillers & Vintners Export Ltd., Massey-Ferguson (United Kingdom) Ltd., Miss Selfridge Ltd., Noble Denton and Associates Ltd., Rowntree Macintosh Ltd.

In addition, you will not be confronted with missing receipts of undecipherable amounts. Settlement of your monthly invoice is made with one cheque.



### Concise, complete paperwork

Every time a card is used the same clear, uniform receipt is issued. Full information on the nature and purpose of the expense can be noted on the back.

You do away with the usual confusing mixture of receipts and checking is made easier for the traveller and accounts staff alike.

Every month your Company receives a statement for each Cardmember giving amount, origin and details of all expenses.

So you have an instant summary of expenses for each employee and, at the same time, it makes expense reports easier to compile and improves accuracy. In addition, your Company will receive a monthly Status of Account Report which provides an overall picture of spending on American Express Cards.

At a glance you can see the complete account situation including any unusual activity such as abnormally high expenditures.

Wouldn't it help your Company to save unproductive expensive time in your Accounts Department whilst keeping closer control over expenses?

### A powerful business aid

With American Express Cards you and your executives have complete freedom of action to capitalise on business opportunities. You can be in the right place at the right time; fly out at

a moment's notice or prolong a stay without cash problems.

Your employees will appreciate the privileges of having the Card: it is respected and welcomed throughout the world thus the Cardmember carries prestige as well as an 'international currency' in his pocket.

Provides cash in an emergency. If a Cardmember does run short of cash he is still not stranded, he can get it through our emergency cheque-cashing service.

Protection against loss or theft. Provided Cardmembers immediately notify any American Express office, they are protected against loss or theft of the Card. Liability is then limited to £20.

Up to £10,000 of Travel Accident Insurance may be available at no extra cost when a ticket has been purchased on the Card. (Insurance arranged by American Express Company and subject to conditions of cover).

### The American Express Card



### passport to convenient travel throughout the world

The American Express Card is invaluable for travelling and entertainment throughout the United Kingdom and in over 140 other countries. It is welcomed at many hotels, restaurants, airlines and car hire companies as well as for a wide range of other services likely to be needed by the business traveller. You simply present the card, sign for the bill and leave the rest to us.

### Who are American Express?

We are a major financial and travel company of 125 years standing. In addition to providing the Card service to over 7 million members, we offer a complete range of travel related services and financial facilities through a worldwide network of over 600 Company, subsidiary and Representative Agent offices.

### Now find out how the System can help your Company

Just by completing and returning this coupon, you can receive complete information on the money-saving, time-saving American Express Company Cards System. On receipt of the coupon we will arrange for our Territory Manager to telephone you for an appointment when he can discuss the System fully and, in particular, its relevance to your Company. Then we can take an in depth look at your Company's travel and entertainment expense

account to see where savings can be affected and to what degree. In addition, you will see how the System fits in with your present methods.

Don't delay—your expenses are costing your Company more than they need. ACT TODAY! You will appreciate that we can only arrange appointments and analysis where substantial travel and/or entertainment is involved.

To: American Express Company, 19/20 Berners Street, London W.1. Yes, I should like to discuss the American Express Company Card System with your Manager, and receive the benefit of an in depth look at my Company's travel and entertainment expenditures.

Name \_\_\_\_\_ Title \_\_\_\_\_  
Company Name & Address \_\_\_\_\_  
Postal Code \_\_\_\_\_ Phone No. \_\_\_\_\_  
Number of Executives travelling and entertaining within the U.K. and Ireland. ☐ Number of Executives travelling and entertaining abroad. ☐ 0999

## A desk diary that buzzes

BY WILLIAM DULLFORCE, NORDIC CORRESPONDENT.

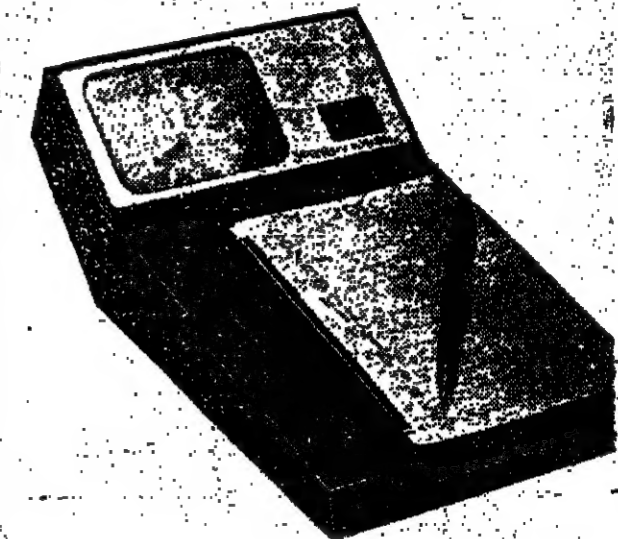
THE TROUBLE with desk diaries is that one can forget to refer to them and so miss appointments. But now the forgetful executive can buy an electronic diary that has a buzzer which reminds him of an appointment at any given time.

It is being marketed by Esselte, a Swedish concern, and is selling well in the U.S. where the company's first year's target is to sell 60,000 of the units, at \$70 a time. Now it has become marketed in Europe.

All the executive need do to make sure he is reminded of his appointment is draw a short line across the time of his appointment on a diary sheet. By so doing he completes an electronic circuit, setting off a buzzer on the appointed hour. The buzzer will go on for two minutes (unless cancelled by pushing a button), allowing enough time for him to scramble back to his desk if he is outside the room and within hearing distance.

The electronic diary is compact (10 inches by 6 inches) and consists of a raised clock, a buzzer, and an electronic circuit on which is placed a daily diary sheet. Each sheet consists of a thick black line running almost its full length and shorter horizontal lines indicating 15-minute intervals.

The graphite in a pencil mark linking a horizontal line with a vertical line will complete the circuit and set off the buzzer at the required time. There is space on the sheet for a brief note to explain the appointment or other event indicated by the buzzer.



The Esselte electronic desk diary.

Esselte hopes to sell between 20,000 and 25,000 of these electronic diaries in Europe this year—not all to businessmen. Danish hospitals, for example, have placed orders for their medical staff. Esselte is also considering producing a more traditional book-type desk diary, eliminating the separate diary sheet pad, with a smaller clock and buzzer attachment.

The product, invented by Samreus, a Swedish engineer, is the Swedish-Japanese co-esselte holds the patent but the instrument is by the world's third manufacturer of watches, Citizen.

Its production system on extensive sub-contracting in Japan which not only low but also allows flexibility in adjusting production rates. Citizen's rights in Japan and Scandinavia and is selling about diaries a month.



VENEZOLANA DE FERROALEACIONES BOZEL, S.A.

Caracas - Venezuela

U.S. \$ 13,000,000  
Five Year Loan

Managed by  
CREDIT LYONNAIS

Co-managed by  
BANQUE DE L'INDOCHINE ET DE SUEZ  
CREDIT COMMERCIAL DE FRANCE

Provided by  
CREDIT LYONNAIS  
BANQUE DE L'INDOCHINE ET DE SUEZ  
CREDIT COMMERCIAL DE FRANCE  
INTERNATIONAL COMMERCIAL BANK  
Limited  
INTERNATIONAL MEXICAN BANK LIMITED  
INTERMEX  
BANQUE EUROPEENNE DE FINANCEMENT  
(The Fidelity Bank)  
SOCIETE GENERALE

Agent  
CREDIT LYONNAIS

January 22, 1978



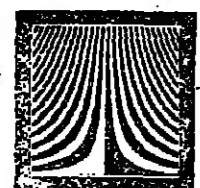
ary st

Savoy Hotel  
Smith and Nephew Assoc.  
Trepco  
Tst. Bank of Africa  
Interims:  
Burns-Anderson  
Lawtex

...the ... ..

...the ... ..





# The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## RADIO & TV

### A day's viewing held on discs

HIGH DENSITY video recording by a method which combines laser and optical technologies will make it possible to store as many as 50,000 TV pictures on a single 12-inch disc. This improvement in recording techniques could bring about dramatic changes in studio operations, according to RCA.

Still in the development stage, the method and equipment can store a single frame of TV information on three thousandths of a square inch, which represents an improvement in packing density of about 300 times compared with current techniques.

Stored pictures can be accessed and displayed in random search mode in a fraction of a second. Meanwhile, the equipment can also be used to record motion from film, videotape or live sources.

Ultimately, it is thought that a TV station could broadcast programmes from recordings on such discs, to cover the whole day's operations.

Recording and reply are by medium-powered laser. The first

affects a thin coating applied to the disc surface and as a beam is electro-optically modulated in accordance with the picture scan, the impression left in the recording medium is a copy of the signal.

In the replay mode, the laser beam reads the fine trace and the reflected and modulated signal is picked up and turned back into a picture.

Precise location of the desired track is by an electronic servo system.

The new development is completely distinct from the home entertainment video disc system developed by RCA.

Further information from RCA International, RCA House, Curzon Street, London W1X 9EU, (01-499 4100).

On the disc at right a band only one inch deep can store some 10,000 TV pictures. A dedicated small computer controls the high speed retrieval of the pictures.



## SAFETY & SECURITY

### Submarine sends TV pictures

ONE OF the most advanced robot submarines arrives in Britain on April 2 to start work on oil installations in the North Sea. A joint British/Canadian venture, the TROV submarine will operate at depths of up to 1,500 feet, from a mother vessel, sending back closed circuit television pictures to the surface and locating blocked or damaged sections of pipeline. By replacing divers in hazardous sub-

surface operations it will reduce risk.

TROV will be operated from a base in Peterhead, Aberdeenshire by a new company, ULS Marine, which specialises in survey and inspection services for the offshore oil industry. Its parent company, Undersea Location Services, has been involved in the development of pipeline inspection and survey instrumentation for several years and has applied its experience in equipping the submarine for commercial undersea work.

After sea trials in early April the submarine is planned to begin inspection of a new crude oil pipeline from one of the major North Sea oil fields.

ULS Marine intends to put a second TROV into service early

### Safety load and unload devices

COMPLYING WITH the requirements of the Health and Safety at Work Act, a range of automatic bar feed and discharge units for use with bar reeling

and bar straightening machines has been developed by Buckley Myers and Taylor, Duchess Street, Shaw, Oldham, Lancs. (07068 45049).

Constructed of steel, with facilities for lateral adjustment during installation, the trough of the feed unit is lined to reduce noise, and bar is moved down it by pneumatically operated pusher. During operation the feed unit is fully enclosed—the trough lid is opened pneumatically from the control console. For automatic loading of bars, the feed unit can be supplied with an indexing table.

The discharge unit is also fully enclosed and is interlocked with the feeder. It can be fitted with a 'tilt' for crane off-loading. The units will handle from 1 to 4-inch diameter and from 6 to 25 feet long.

## ELECTRONICS Provides a complex sequence

A FUNCTIONALLY versatile yet easily operated sequence controller has been introduced by Tempatron which can bridge the gap between multiple timer networks (cheap, but hard to set up) and microcomputer based systems (flexible, but expensive).

This programmable sequence controller (PSC) uses a 30 step by 10 drive pin diode matrix mounted on the front panel: up to ten outputs are controlled, each having 30 count time steps. When a pin is inserted into the matrix board it sets the unit to operate the relevant output for one time interval.

Three basic modules allow variation and expansion: a control unit determining cycle time and step length with a 30 by 10 board, switching unit and ten output drive; an extension module consisting of a further 20 by 10 board and ten output drive unit; and a step extension module which is a single 20 by 10 board so that the number of steps per cycle can be increased by ten. Also available is a unit that allows for feed-back signals to restrain certain outputs until a particular event has taken place elsewhere. Tempatron is at 5 Loversock Road, Reading (0734 553033).

## COMPUTERS

### Awarded Defence approval

FOLLOWING a recent assessment by the Ministry of Defence, Computer Technology has been registered as an approved supplier of computer equipment and associated services to the Defence Standard 0538.

The latter evaluates the technical competence of potential contractors before the placing of defence contracts and confirms that only companies with adequate quality assurance arrangements are invited to tender.

Since the company has very little to do to get the award, the inference is that CTL has a very high degree of monitoring and control throughout its manufacturing process.

Installed base in MOD establishments and the three branches exceeds £1m, largely because of the existence of the MODUS operating system on which CTL has spent a great deal of development money.

The company's situation has improved out of all recognition in the past six months: with bank debts wiped out and major new contracts in progress. Of particular significance is the CTL agreement with Motorola.

## PRODUCTS Film freed from dust or static

embracing the engineering support for the latter's microprocessors recently announced.

Through it Motorola acquires a major engineering base, and the support of a group of software experts. CTL acquires an introduction into one of the fastest-growing areas of computing technology.

The value of the actual microprocessor is minimal. Both sides will earn from problems solved through these units. CTL acquires an introduction into one of the fastest-growing areas of computing technology.

PHILIPS Data Systems has launched a new suite of programs for the P3000 URC designed for handling, solicitors' accounting procedures. Like all library programs for P3000, this suite is supplied free of charge.

Stored on Philips mini-cassettes, the programs have been designed and written to take care of the special requirements of solicitors' accounting—records, time recording and disbursements—as well as conventional routines including payroll, purchases accounting and audit trail.

Philips at Elektra House, Bergholt Road, Colchester. (0206 5115).

## CONSTRUCTION

### Mid. East markets to boom

MIDDLE EASTERN markets for construction equipment and materials—at \$625m. in 1973, prior to the oil crisis—rose to \$1,500m. last year and will reach \$2,500m. in 1980, according to a study by Frost and Sullivan.

Oil revenues pour into the prime ten Middle East countries at \$4m. an hour. The great oil-based "construction gold rush" on the study notes, with United States, European and Japanese suppliers vying for the field in trying to help Middle East states spend their billions. Incredibly, revenue in the leading ones is far outstripping ability to spend, despite the efforts of world-be suppliers. Some of the overseas going to aid to other Arab states, creating a second set of markets adding to the general construction boom.

But the study, which identifies buyers, middlemen and distributors, also emphasises a major problem: finding who to do the job. This is one of the most frustrating and time-consuming experiences of all. Port congestion and overwhelmed clearance facilities compound the problem.

Building materials and construction equipment companies of the "biggest" market opportunities. Some 30 per cent will be accounted for by steel work, iron and steel pipes, tubes and fittings. Timber and related products will take 15 per cent.

Analysis and forecasting the markets in 18 Middle East countries, the three-volume, \$75-page study focuses on the 10 which offer the most lucrative business opportunities: Iran, Saudi Arabia, Iraq, Kuwait, Bahrain, Qatar, United Arab Emirates, Oman and the Yemen. The study says, "Distribution in most of the Middle East countries is still in an infant stage." It adds, "The shortage of ready-made, effective agents has frustrated many enthusiastic would-be exporters. The few agents who are effective are overrun with offers from well-known international sources."

It is imperative for a supplier to know the operations and pitfalls of the various distribution channels in Middle East markets, the study asserts. In Saudi Arabia and Iraq, for example, a supplier can use international contractors in Egypt, Syria and Iraq he needs to trade through State-operated agencies. In all countries it is "risky and questionable" to sell through local distributors and dealers because of the limited quality of many.

One form of distribution is "becoming increasingly attractive," the study points out: joint venture between foreign supplier and local business for assembly or manufacture.

Another pitfall that awaits newcomers to the Middle East is the vital need to modify equipment, machinery and materials to meet the region's intolerably hot, humid and other peculiar climatic conditions. Unique problems in construction work in desert terrain and primitive conditions; equipment must take them very much into account. Filtration and cooling systems must be "double designed" to overcome high levels of dust and temperature.

More from BAS Industrial Consultants, Mill Ash, Radlett, Herts. Radlett 6376.

## COMMUNICATION

### Finds cable faults

TELEPHONE LINES and coaxial cables can be tested for discontinuity and impedance irregularities using a pulse echo test set introduced by Hunting Hilvoit, Old Shoreham Road, Shoreham-by-Sea, Sussex (07937 4611).

Pulses can be generated at widths of 50, 100, or 200 nanoseconds for feeding into the free end of cable; they are reflected from the faulty location. The time between transmission and detection of the returned pulse provides the distance to the fault. The time displayed on a built-in oscilloscope screen and the location calculated in a few seconds.

## PRODUCTS Film freed from dust or static

embracing the engineering support for the latter's microprocessors recently announced.

Through it Motorola acquires a major engineering base, and the support of a group of software experts. CTL acquires an introduction into one of the fastest-growing areas of computing technology.

PHILIPS Data Systems has launched a new suite of programs for the P3000 URC designed for handling, solicitors' accounting procedures. Like all library programs for P3000, this suite is supplied free of charge.

Stored on Philips mini-cassettes, the programs have been designed and written to take care of the special requirements of solicitors' accounting—records, time recording and disbursements—as well as conventional routines including payroll, purchases accounting and audit trail.

Philips at Elektra House, Bergholt Road, Colchester. (0206 5115).

## CONFERENCES

### Infrared in industrial techniques

SIRA Institute, in association with W. D. Lawson, Royal Radar Establishment, will organise a conference devoted to the non-military applications of infrared technology. It will be held at The City University, London, on March 15-16, 1977.

Development of infrared systems for military use has made available new and improved infrared components and techniques. The conference will indicate the scope which these developments offer for application in industry: civil engineering, science, medicine and biology.

The first session, Industrial Applications, will be chaired by Sir Eric Eastwood, who includes such topics as moisture and temperature measurement, chemical composition analysis, non-destructive testing, inspection, dimensional gauging, safety instrumentation, welding, and curing.

SIRA, South Hill, Chislehurst, Kent (01-487 3656).

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services. More from us source material for its own news broadcasts.

## PLANT INVESTMENT

Capital plant today, more than ever, demands careful study. If you have an AIR DEMAND, whether for a large and diverse complex or a small throughput, study the advantages of the "FLUIDAIR" Rotary Compressor. Our volume of repeat orders is proof of customer satisfaction, both operationally and financially.

Capacities of 17-600 cfm a.d. at pressures up to 170 p.s.i.g.

Ask for detailed literature or a Sales Engineer's visit.

WHITTAKER HALL LTD., Members of the VERNON Engineering Group of Companies.

RADCLIFFE, MANCHESTER M26 0JB. Tel: 061-725 2421. Telex: 667071.

## PLANT & MACHINERY SALES

Description Price Telephone

1974 Telex roll forming line by Hunter-Douglas. Virtually unused. Capacity 200 mm x 2-mil M.S. strip, complete with automatic cut-to-length equipment. P.O.A. 021-556 0904 Telex 336414

2 Stand Rolling Mill for flattening wire and rolling narrow strip. Complete with edging rolls and roller. Reconditioned Modern Used Rolling Mills, wire, rod and tube drawing plant—roll forming machines—slitting—flattening and cut-to-length lines—cold saw—press—guillotine, etc. P.O.A. 021-556 0904 Telex 336414

1978 Shearblacker the 8W mobile vacuum annealing plant—thermal charge area 625 mm dia x 2000 mm leading height—output 6000 lb per 24 hours. P.O.A. 021-556 0904 Telex 336414

1971 Automated 25ft Drawbench with automatic feed—drawbench effective pull 10 tons at 100 f.p.m. and 20 tons at 50 f.p.m. Virtually unused. P.O.A. 021-556 0904 Telex 336414

1974 Fully Automated Cold Saw with batch control for driving non-ferrous bar. Max. capacity 57 round and square. P.O.A. 021-556 0904 Telex 336414

1971 Fully Automated High Precision Circular Saw with batch control. Max. capacity 60 mm bar-70 mm profiles and tube. P.O.A. 021-556 0904 Telex 336414

1972 Double Twist High Speed Finishing Twisting Machine by Cornworts. P.O.A. 021-556 0904 Telex 336414

Three 100 KW High Speed EPVs. Each direct drive motor 600 rpm 400-350 hp common base-plate. Complete with control panels. £4,500 each 01-946 5964

IF YOU HAVE PLANT AND MACHINERY TO SELL TO YOUR REQUIREMENTS AND WOULD LIKE TO ADVERTISE IN THIS COLUMN PLEASE TELEPHONE 01-249 0000, Ext. 454

## CONTRACTS AND TENDERS

### UNITED ARAB EMIRATES Ministry of Electricity and Water P.O. BOX 1672, DUBAI

The Ministry of Electricity and Water for the United Arab Emirates invites tenders for the following works:

Tender No. N4248—Specification No. N35.1/1976

Comprehensive mechanical and electrical works (excluding Desalination Plant) for the new power station to be constructed near Umm Al Quwain and having capacity of about 90 MW.

Applications for tender documents should be made during normal office hours at the Ministry's offices in Abu Dhabi or Dubai in the UAE or at the UAE Embassy in London. Only firms who have had experience in engineering similar projects should apply.

Each tender fee is Dirhams 2,500 if collected in London and is not refundable. Volume 1 (Instructions to Tenderers, Forms and Conditions of Contract) of the tender documents and an abbreviated specification is already available and the remaining volumes 2, 3 and 4, (Specification, Schedules and Drawings) will be available from 10 April 1976.

Tenders must be valid for 100 days.

Tenders must be accompanied by a bid bond in the form of unconditional bank guarantee of Dh2,000,000 (12 million) valid for 120 days. The successful tenderer will be required to replace this with a performance bond equal to 10 per cent of the total contract sum for the period of the contract. The tender documents must be complete and submitted in quadruplicate. Each copy shall be enclosed in a plain envelope not bearing any identification of the tenderer and marked only on the outside with the tender number.

Four copies shall be addressed to: His Excellency the Chairman, The Permanent Committee for Projects, Ministry of Planning, P.O. Box 2247, Abu Dhabi, UAE.

Tenders must be received not later than 17.00 hours on 27 June 1976. This advertisement is a complimentary part of this tender document. It is important that the plant is in commercial service as early as possible in 1978.

Abdulla Bin Humaid Al Qassimi Minister.

### YEMEN ARAB REPUBLIC NATIONAL WATER AND SEWERAGE AUTHORITY

#### Notice of International Competitive Bidding and Invitation to Tendering Hodeida Water Supply and Sewerage Project

The National Water Supply and Sewerage Authority announces that:—a credit from the Arab Fund for Economic and Social Development, through the Government of the Yemen Arab Republic, has been approved to finance construction of new sewerage project for the city of Hodeida, the Republic. It is intended that proceeds of this credit will be applied towards payment under contracts for this notice is issued.

Bidding will be open to plant and equipment suppliers excluding Israel and suppliers in the Arab boycott list. Only tenders from suppliers and manufacturers experienced in providing equipment and plant for similar assignment and of sound financial position, which would be part of the evaluation, will be considered.

Scope of Contracts: The tender calls for the manufacture and delivery of straight pipes, bends, standard fittings, non-standard fittings, specials, valves, manhole covers, stop iron including joints, special joints and joining material for main and subsidiary pipelines of the Hodeida Sewerage Scheme. This tender is intended to provide pipes, fittings and appurtenances necessary for the first stage programme up to 1978, as follows: Pressure pipeline in diameter 800 mm, total length 4.4 km, main secondary sewers, house connections diameter varying between 150 mm and 1,000 mm, total length 33.4 km.

Tender documents will be available in National Water and Sewerage Authority Offices by the 21st March, 1976, and with Messrs. F. H. Kocks K. G. main office in Dusseldorf, West Germany. Interested bidders can purchase the documents by wiring and to the following account and after payment of \$US150, being the cost of tenders. National Water and Sewerage Authority, P.O. Box No. 104, Sanaa, Yemen Arab Republic. Consultants: F. H. Kocks K. G., P.O. Box No. 320625, Dusseldorf, West Germany.

The Closing Date will be the 30th May 1976.

N.B. This announcement cancels the sewerage component of our previous announcement advertised in this paper.

### PORT OF BAR ENTERPRISE

Port of Bar Enterprise—Bar has obtained a loan from the International Bank for Reconstruction and Development of Washington for expansion of port facilities. Procurement of equipment and materials to meet the region's intolerably hot, humid and other peculiar climatic conditions. Unique problems in construction work in desert terrain and primitive conditions; equipment must take them very much into account. Filtration and cooling systems must be "double designed" to overcome high levels of dust and temperature.

More from BAS Industrial Consultants, Mill Ash, Radlett, Herts. Radlett 6376.

THE PORT OF BAR ENTERPRISE—BAR announces PUBLIC COMPETITIVE BIDDING for manufacture, delivery and erection of general cargo handling.

The equipment consists of the following groups:

1. Port 40 Mtp Container Crane, Alternatively Port 35 Mtp Electrically Driven Port Crane
2. Fork Lift Trucks capacity from 2 Mtp to 35 Mtp
3. Mobile Cranes, capacity from 10 Mtp to 15 Mtp
4. Road Rail Tractors, capacity from 50 HP to 60 HP
5. Tractors, capacity from 50 HP to 60 HP
6. Trailers, for internal transportation, capacity from 10 Mtp to 35 Mtp

The bids shall be received in Port of Bar Enterprise, Construction Department, Bar not later than May 17, 1976, by 10 o'clock local time. Opening of bids will be carried out on the same day at 11 o'clock.

The bids shall be prepared in compliance with Contract Documents which may be obtained in Port of Bar Enterprise, 81350 Bar, or in Branch Office of the Port of Bar Enterprise, 11050 Beirut, Sremska Street 2, after made payment of Dinars 5,000.—to current account No. 20135—001—11330 with SIB Bar for local bidders, i.e. URB 250 to foreign exchange account No. 20100—020—37—32500—000/25 with Investment Bank of Tirograd for foreign bidders.

Bar or information may be obtained by telephone 055-25-022 in Bar and 011-625 268 in Belgrade.

The Port of Bar Enterprise will take decision on selection of the most advantageous bidder within the period of 90 days.

PORT OF BAR ENTERPRISE.

### Republic of the Philippines NATIONAL POWER CORPORATION Manila

#### INVITATION FOR BIDS

SEALED BIDS, in quadruplicate, plainly marked "BID FOR FURNISHING AND DELIVERING STEEL TOWERS, BODY EXTENSIONS, LEG EXTENSIONS, FOUNDATION STUDS AND TEMPLATES, POWER CONDUCTOR, GROUND WIRE, INSULATORS, LINE HARDWARE, APPURTENANCES, AND ACCESSORIES FOR THE BECKEL BONENG AND BONENG-GUINAYANG, 69 KV, 3-PHASE, TRANSMISSION LINES (DOUBLE CIRCUIT, STEEL TOWERS), LUZON ELECTRIFICATION PROJECT, LUZON, PHILIPPINES", will be received at the National Power Corporation, 161 Bonifacio Drive, Port Area, Manila, Philippines, until 10:00 o'clock A.M. on 5 May 1976, and then publicly opened.

Plans and Specifications including four (4) copies of the Bidding Form and four (4) copies of the CONFIDENTIAL STATEMENT FOR DETERMINING THE BIDDERS RESPONSIBILITY form, are available for issue at the office of the National Power Corporation to prospective bidders who have complied with the requirements set forth by the National Power Corporation. A prospective bidder may be issued plans and specifications upon application and payment of SIXTY PESOS (P60.00).

For the information and guidance of those concerned, the National Power Corporation proposes to utilize a portion of the proceeds of the credit and/or loan from the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD), respectively, for payment of foreign currency cost under contract for which the bidding will be held. Participation will thus be limited to contractors from the Philippines, member countries of IBRD, and Switzerland.

Address all communications to "The General Manager, National Power Corporation, 161 Bonifacio Drive, Port Area, Manila, Philippines."

C. D. DEL ROSARIO, General Manager

### SOUTH DERBYSHIRE DISTRICT COUNCIL CENTRAL AREA RE-DEVELOPMENT SHADLINCOTE

Builders or Developers, having wide experience in civil centre development, are invited to make an offer to the South Derbyshire District Council for consideration of their Company's name being placed in a selected list of successful bidders for the development of the Central Area, Shadlincote.

Successful bidders will be asked to submit their own proposals for developing the site including any financial involvement but will need to make provision for additional Council office accommodation covering a minimum of 12,000 sq. ft. and possibly some recreational cultural facilities. As part of any proposal the Council may wish to consider of the site measuring 2,500 sq. yds. currently being used for office and associated accommodation in Shadlincote Road, Shadlincote, and the premises known as "The Pipers" Collection Road, Burton-on-Trent, together with adjoining land amounting in all to 94 hectares which has the benefit of zoning planning permission for residential purposes.

Further information in the form of an outline brief is available on request from the Chief Technical Officer, "The Pipers" Collection Road, Burton-on-Trent. Arrangements to view the site may be made to the District Secretary. All applications must be submitted in writing to the undersigned by not later than noon on 31st April, 1976.

The Council is not bound to accept the lowest or any tender or to enter into a joint venture with any bidder.

J. A. RIDGE, District Secretary, Council Offices, Shadlincote, Burton-on-Trent, DE11 0AH.

مكاتب العمل

# Building and Civil Engineering

## £22m. for two large new hospitals

**WELSH** and northern Wales both will benefit from new hospital schemes under awards to Kyle Stewart & Shepherd Construction, Welsh Health Technical Research Organisation is putting £22m. for two large general hospitals at Penrhyn and near Bangor. Kyle Stewart will be erecting this large unit on a 10-acre site, including a 100-bed ward block, pre-cast concrete cladding. There also will be a separate steel-framed ward house and a number of isolated works and buildings. The main hospital building will cover an area of 37,000 square feet. The complex has been designed by the Regional Design Group of Cardiff and is to be completed in four years. The contract to Shepherd is for £11m. It will cover the construction of a 100-bed ward block at Penrhyn and a 100-bed ward block at Bangor.

## 3m. awards to Reed and Mallik

ER £3m. worth of contracts has been awarded to Reed and Mallik.

Largest, worth over £13m. is a bridge on the A171 at Easingwold, North Yorkshire. Other awards include a £3m. contract for a new bridge on the A171 at Easingwold, North Yorkshire. Other awards include a £3m. contract for a new bridge on the A171 at Easingwold, North Yorkshire.

## £5m. homes contract

For more than 1,400 people are to be built in Borewood, Herts., on the former site of Rest for Horses site at Stirling Corner. The Greater London Council awarded the contract for a £5m. contract to build 1,400 homes, including some 300 elderly people, at Borewood, Herts., on the former site of Rest for Horses site at Stirling Corner.

## £1m. British Rail depot

**WESTERN** Region of British Rail has awarded a contract to E. Thomas, a member of the Mowlem Group, for the construction of a locomotive and carriage depot at Penzance, Cornwall. The depot will cater for air-conditioned coaches soon to be used on the London to West of England Inter-City services and, eventually, high-speed trains planned for introduction on the route in the 1980s.

## Tarmac in Holland

A joint venture in Holland with the Dutch company H.B.M. Tarmac Construction has started a £1m. contract at Zoeterwoude for Ingels-Rand.

Involved in the construction of an office, workshop and warehouse facility with roads and car park. A standard steel frame with pressed metal cladding and dado height wall will be provided with the option later for the addition of a second storey.

McLean Investments, a Tarmac Group company, is to develop a 70-acre site at Tamworth. Staffs, for warehousing and light and general industry.

Work has already started on the construction of roads and services and it is intended to offer sites from 1 to 13 acres for sale freehold, to design and build units for lease or sale and construct small units for rent.

## Cement mill orders grow

**POLYSTIUS**, of Ascot, member of the German-controlled group of companies of the same name, has £40m. worth of contracts on its hands for the supply of cement plant equipment to a number of UK centres but also to Nigeria, Taiwan, South Korea, Yugoslavia, Southern Ireland, Ireland and Kenya.

In the pipeline are a further £20m. worth of contracts on which arrangements, still have to be finalised. This implies that in the three years 1975-76-77, the company will have averaged about £20m. worth of business annually despite the adverse economic conditions in certain areas.

The parent company, Polystius AG Neubeckum, has with its six overseas subsidiaries on hand, amounting to DM1.5bn. This

includes the construction of roads and services and it is intended to offer sites from 1 to 13 acres for sale freehold, to design and build units for lease or sale and construct small units for rent.

Further information from Martindale Protection, Neasden Lane, London, NW10 1RN. (01-450 8861.)

## Closer links overseas sought

**BRITAIN'S** demolition contractors have decided it is time they had closer links with their opposite numbers overseas.

Dr. V. Powell-Smith, national secretary, National Federation of Demolition Contractors told the Financial Times that the first moves were made at a recent meeting in The Hague with Dutch and German contractors when it was decided to set up a European association.

First problems for joint study will be safety, training, legislation and technological developments.

The contract is for the Regent Centre Interchange at Gosforth and forms part of the new Tyneside Metro system. The interchange is the major station on the proposed Ranton line and is

located to intercept existing bus and car traffic approaching Newcastle from the north as well as serving the local areas of housing and the adjacent office complex.

The contract includes the construction of a 2,500 square metre suspended concourse, 5.5 metres above platform level, and a four level car park, each deck being approximately 1,000 square metres.

Roller will also be responsible for bridge works, rail platforms, service diversions and access roads for bus and car traffic.

Consulting engineers are Mazon, Pittendrigh and Partners and the architects are Alnsworth Spark Associates. Work is scheduled to start in April.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

## £1.7m. job for Willett

**WILLETT** has been awarded a contract worth about £1.7m. to construct 98 houses and 77 flats at Coachman's Drive, Broadfield, Crawley, Sussex for the London and Quadrant Housing Trust.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

tion and deep excavation contracts in the City of London for some 20 years, this is its first major building contract in the City area.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

Work is to start in April and the contract period is 104 weeks. Bus, houses and flats will be centrally heated.

Architects are Hughes, Lomax and Adatt and the quantity surveyors are Appleyard and Partners.

**GK TorBar**  
Now in 50mm dia.  
GKN (South Wales) Ltd  
Cwmavon, Cardiff  
Tel: 0222-33003  
Telex: 49316  
(A member of GKN Rolled & Sheet Steel Limited)

two in three schemes approved by East Anglian Regional Health Authority for 1976/77.

Capital allocation for the period is £10.6m. and of this £8.5m. is to be taken up in the existing main programme. The Peterborough geriatric development is scheduled to cost £2.5m.

**IN BRIEF**  
A supermarket for The North-west Co-operative Society is to be built at a cost of £210,000 by Bovis Construction in Princes Street, Knutsford, Cheshire.

## NOTICE OF DRAW AND REDEMPTION

**SOCIETE FINANCIERE POUR LES TELECOMMUNICATIONS ET L'ELECTRONIQUE (S.F.T.E.)**

**SOCIETE ANONYME—LUXEMBOURG**

**U.S.\$ DEBENTURE LOAN WITH A COUPON OF 7.75%—1970/1985**

(Guaranteed by STET)

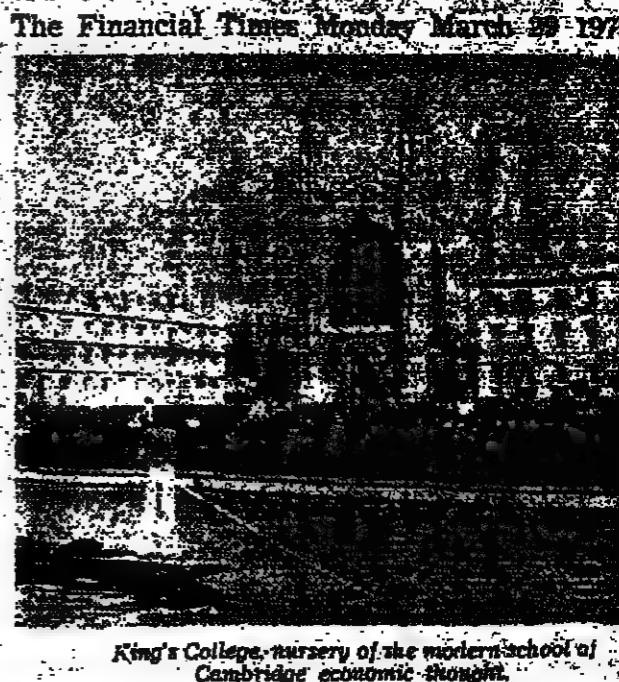
So.F.T.E. having already acquired under the Terms of the Loan, 1,650 bonds of a face value of \$1,000 each on the market, of the sixth redemption instalment due on May 1, 1976, Banco di Roma, in its capacity as Paying Agent has drawn lots on the issuer's behalf in accordance with the Sinking Fund Scheme for the remaining 1,650 bonds necessary to cover the entire redemption instalment.

The draw was on March 5, 1976 in the presence of a Solicitor and representatives from the Issuing Company and the Guarantor.

**BONDS DRAWN FOR REDEMPTION MAY 1, 1976**

80	90	100	110	120	130	140	150	160	170	180	190	200	210	220	230	240	250	260	270	280	290	300	310	320	330	340	350	360	370	380	390	400	410	420	430	440	450	460	470	480	490	500	510	520	530	540	550	560	570	580	590	600	610	620	630	640	650	660	670	680	690	700	710	720	730	740	750	760	770	780	790	800	810	820	830	840	850	860	870	880	890	900	910	920	930	940	950	960	970	980	990	1000																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
496	506	516	526	536	546	556	566	576	586	596	606	616	626	636	646	656	666	676	686	696	706	716	726	736	746	756	766	776	786	796	806	816	826	836	846	856	866	876	886	896	906	916	926	936	946	956	966	976	986	996	1006	1016	1026	1036	1046	1056	1066	1076	1086	1096	1106	1116	1126	1136	1146	1156	1166	1176	1186	1196	1206	1216	1226	1236	1246	1256	1266	1276	1286	1296	1306	1316	1326	1336	1346	1356	1366	1376	1386	1396	1406	1416	1426	1436	1446	1456	1466	1476	1486	1496	1506	1516	1526	1536	1546	1556	1566	1576	1586	1596	1606	1616	1626	1636	1646	1656	1666	1676	1686	1696	1706	1716	1726	1736	1746	1756	1766	1776	1786	1796	1806	1816	1826	1836	1846	1856	1866	1876	1886	1896	1906	1916	1926	1936	1946	1956	1966	1976	1986	1996	2006	2016	2026	2036	2046	2056	2066	2076	2086	2096	2106	2116	2126	2136	2146	2156	2166	2176	2186	2196	2206	2216	2226	2236	2246	2256	2266	2276	2286	2296	2306	2316	2326	2336	2346	2356	2366	2376	2386	2396	2406	2416	2426	2436	2446	2456	2466	2476	2486	2496	2506	2516	2526	2536	2546	2556	2566	2576	2586	2596	2606	2616	2626	2636	2646	2656	2666	2676	2686	2696	2706	2716	2726	2736	2746	2756	2766	2776	2786	2796	2806	2816	2826	2836	2846	2856	2866	2876	2886	2896	2906	2916	2926	2936	2946	2956	2966	2976	2986	2996	3006	3016	3026	3036	3046	3056	3066	3076	3086	3096	3106	3116	3126	3136	3146	3156	3166	3176	3186	3196	3206	3216	3226	3236	3246	3256	3266	3276	3286	3296	3306	3316	3326	3336	3346	3356	3366	3376	3386	3396	3406	3416	3426	3436	3446	3456	3466	3476	3486	3496	3506	3516	3526	3536	3546	3556	3566	3576	3586	3596	3606	3616	3626	3636	3646	3656	3666	3676	3686	3696	3706	3716	3726	3736	3746	3756	3766	3776	3786	3796	3806	3816	3826	3836	3846	3856	3866	3876	3886	3896	3906	3916	3926	3936	3946	3956	3966	3976	3986	3996	4006	4016	4026	4036	4046	4056	4066	4076	4086	4096	4106	4116	4126	4136	4146	4156	4166	4176	4186	4196	4206	4216	4226	4236	4246	4256	4266	4276	4286	4296	4306	4316	4326	4336	4346	4356	4366	4376	4386	4396	4406	4416	4426	4436	4446	4456	4466	4476	4486	4496	4506	4516	4526	4536	4546	4556	4566	4576	4586	4596	4606	4616	4626	4636	4646	4656	4666	4676	4686	4696	4706	4716	4726	4736	4746	4756	4766	4776	4786	4796	4806	4816	4826	4836	4846	4856	4866	4876	4886	4896	4906	4916	4926	4936	4946	4956	4966	4976	4986	4996	5006	5016	5026	5036	5046	5056	5066	5076	5086	5096	5106	5116	5126	5136	5146	5156	5166	5176	5186	5196	5206	5216	5226	5236	5246	5256	5266	5276	5286	5296	5306	5316	5326	5336	5346	5356	5366	5376	5386	5396	5406	5416	5426	5436	5446	5456	5466	5476	5486	5496	5506	5516	5526	5536	5546	5556	5566	5576	5586	5596	5606	5616	5626	5636	5646	5656	5666	5676	5686	5696	5706	5716	5726	5736	5746	5756	5766	5776	5786	5796	5806	5816	5826	5836	5846	5856	5866	5876	5886	5896	5906	5916	5926	5936	5946	5956	5966	5976	5986	5996	6006	6016	6026	6036	6046	6056	6066	6076	6086	6096	6106	6116	6126	6136	6146	6156	6166	6176	6186	6196	6206	6216	6226	6236	6246	6256	6266	6276	6286	6296	6306	6316	6326	6336	6346	6356	6366	6376	6386	6396	6406	6416	6426	6436	6446	6456	6466	6476	6486	6496	6506	6516	6526	6536	6546	6556	6566	6576	6586	6596	6606	6616	6626	6636	6646	6656	6666	6676	6686	6696	6706	6716	6726	6736	6746	6756	6766	6776	6786	6796	6806	6816	6826	6836	6846	6856	6866	6876	6886	6896	6906	6916	6926	6936	6946	6956	6966	6976	6986	6996	7006	7016	7026	7036	7046	7056	7066	7076	7086	7096	7106	7116	7126	7136	7146	7156	7166	7176	7186	7196	7206	7216	7226	7236	7246	7256	7266	7276	7286	7296	7306	7316	7326	7336	7346	7356	7366	7376	7386	7396	7406	7416	7426	7436	7446	7456	7466	7476	7486	7496	7506	7516	7526	7536	7546	7556	7566	7576	7586	7596	7606	7616	7626	7636	7646	7656	7666	7676	7686	7696	7706	7716	7726	7736	7746	7756	7766	7776	7786	7796	7806	7816	7826	7836	7846	7856	7866	7876	7886	7896	7906	7916	7926	7936	7946	7956	7966	7976	7986	7996	8006	8016	8026	8036	8046	8056	8066	8076	8086	8096	8106	8116	8126	8136	8146	8156	8166	8176	8186	8196	8206	8216	8226	8236	8246	8256	8266	8276	8286	8296	8306	8316	8326	8336	8346	8356	8366	8376	8386	8396	8406	8416	8426	8436	8446	8456	8466	8476	8486	8496	8506	8516	8526	8536	8546	8556	8566	8576	8586	8596	8606	8616	8626	8636	8646	8656	8666	8676	8686	8696	8706	8716	8726	8736	8746	8756	8766	8776	8786	8796	8806	8816	8826	8836	8846	8856	8866	8876	8886	8896	8906	8916	8926	8936	8946	8956	8966	8976	8986	8996	9006	9016	9026	9036	9046	9056	9066	9076	9086	9096	9106	9116	9126	9136	9146	9156	9166	9176	9186	9196	9206	9216	9226	9236	9246	9256	9266	9276	9286	9296	9306	9316	9326	9336	9346	9356	9366	9376	9386	9396	9406	9416	9426	9436	9446	9456	9466	9476	9486	9496	9506	9516	9526	9536	9546	9556	9566	9576	9586	9596	9606	9616	9626	9636	9646	9656	9666	9676	9686	9696	9706	9716	9726	9736	9746	9756	9766	9776	9786	9796	9806	9816	9826	9836	9846	9856	9866	9876	9886	9896	9906	9916	9926	9936	9946	9956	9966	9976	9986	9996	10006	10016	10026	10036	10046	10056	10066	10076	10086	10096	10106	10116	10126	10136	10146	10156	10166	10176	10186	10196	10206	10216	10226	10236	10246	10256	10266	10276	10286	10296	10306	10316	10326	10336	10346	10356	10366	10376	10386	10396	10406	10416	10426	10436	10446	10456	10466	10476	10486	10496	10506	10516	10526	10536	10546	10556	10566	10576	10586	10596	10606	10616	10626	10636	10646	10656	10666	10676	10686	10696	10706	10716	10726	10736	10746	10756	10766	10776	10786	10796	10806	10816	10826	10836	10846	10856	10866	10876	10886	10896	10906	10916	10926	10936	10946	10956	10966	10976	10986	10996	11006	11016	11026	11036	11046	11056	11066	11076	11086	11096	11106	11116	11126	11136	11146	11156	11166	11176	11186	11196	11206	11216	11226	11236	11246	11256	11266	11276	11286	11296	11306	11316	11326	11336	11346	11356	11366	11376	11386	11396	11406	11416	11426	11436	11446	11456	11466	11476	11486	11496	11506	11516	11526	11536	11546	11556	11566	11576	11586	11596	11606	11616	11626	11636	11646	11656	11666	11676	11686	11696	11706	11716	11726	11736	11746	11756	11766	11776	11786	11796	11806	11816	11826	11836	11846	11856	11866	11876	11886	11896	11906	11916	11926	11936	11946	11956	11966	11976	11986	11996	12006	12016	12026	12036	12046	12056	12066	12076	12086	12096	12106	12116	12126	12136	12146	12156	12166	12176	12186	12196	12206	12216	12226	12236	12246	12256	12266	12276	12286	12296	12306	12316	12326	12336	12346	12356	12366	12376	12386	12396	12406	12416	12426	12436	12446	12456	12466	12476	12486	12496	12506	12516	12526	12536	12546	12556	12566	12576	12586	12596	12606	12616	12626	12636	12646	12656	12666	12676	12686	12696	12706	12716	12726	12736	12746	12756	12766	12776	12786	12796	12806	12816	12826	12836	12846	12856	12866	12876	12886	12896	12906	12916	12926	12936	12946	12956	12966	12976	12986	12996	13006	13016	13026	13036	13046	13056	13066	13076	13086	13096	13106	13116	131

Samuel Brittan separates the Dr. Jekyll from the Mr. Hyde in the latest Cambridge Economic Policy Review, out to-day



King's College, nursery of the modern school of Cambridge economic thought.

Joining the bandwagon

THE SECOND ROUND of the Prime Ministerial election does not leave much room for speculation. It is universally assumed that when voting is completed at noon to-morrow, Mr. Healey will be found to have been eliminated and the final choice narrowed to Mr. Foot and Mr. Callaghan. This assumption is very likely correct. But the near-certainty of the prediction probably owes as much to the large number of MPs who are impressed by the prediction itself as to the number who actually desire the predicted outcome. If all those who really believe or strongly suspect that Mr. Healey would make a better Prime Minister than Mr. Foot or Mr. Callaghan were to vote according to their conviction the result might actually be in doubt.

Other motives

This is not likely to be the case. The desire to "go with the winner," even in a secret ballot, is a powerful if irrational incentive. There are other motives as well. Some of those who voted for Mr. Jenkins or Mr. Crosland on the first ballot are no doubt resigned or disgusted and simply wish to put an end to what they regard as a wretched affair in the simplest and quickest way consistent with keeping out the Left. Others may calculate that Mr. Jenkins's chances of a comeback are greater under Mr. Callaghan than under Mr. Healey. Another possible, though very far-fetched rationale may be the fear that Mr. Healey knocked out Mr. Callaghan he might not beat Mr. Foot in the run-off.

These are all understandable considerations in the world of practical politics where the easy way out is the normal exit, but they are bad counsellors none the less. Mr. Healey has, in this fact, the strongest claims to the Prime Ministership among the three candidates now remaining

The dangers facing Argentina

WHEN THE GOVERNMENT of President Maria Estela Peron came to an end in Buenos Aires on Wednesday the reaction of much of the population of Argentina and of many foreign observers was to breathe a sigh of relief. Her 20 months in office had produced few positive achievements and those that there were could not compensate for her often chaotic handling of Argentina's politics and economics.

But even as her presidency came to an end it was legitimate to wonder whether a Right-wing military coup such as the one which toppled her was the best way forward for the country. After all, there did exist a Congress. Despite the contempt in which it was held by some Peronists and extremists of the Right and the Left, it had served as a useful arena for debates which might in its absence have been settled by corruption or by force. Its members had been freely and legitimately elected and, constitutionally, it was the repository of authority in the absence of a Head of State.

More extreme

General Jorge Videla, the leader of the coup, and his companions chose to ignore it and to adopt a much more extreme course of action, declaring themselves rulers of the country. They decreed the abolition of Parliamentary politics, arrested politicians and dismissed judges wholesale.

Their justification for considering that they could run Argentina better than any civilians was slim. It is less than three years since the last military President of Argentina, General Alejandro Agustín Lanusse, gave up supreme power in the face of growing popular cynicism about the military's handling of affairs and there is no reason to believe that in the meantime

Rival diagnoses of a sick economy

MR. WYNNE GODLEY, who heads the Cambridge Economic Policy Group, is the Dr. Jekyll and Mr. Hyde of British economics. Formerly the Treasury's chief economic forecaster, he has acquired an unrivalled feeling for where the British economy is going. He had had an excellent record of diagnosing in advance where the economy was moving towards and the disastrous mistakes being made. With Professor David Laidler, the former Manchester monetarist now in Canada, he was among the very first to warn against the fiscal stimulation of 1972-73 and also predicted how high unemployment would go by the winter of 1975-76.

The Mr. Hyde aspect of his character is that he is dominated by an extremely glib and questioning approach to longer term questions, based much too narrowly on statistical projection and national income accounting. It is this arithmetical approach to economics which leads him to see in import controls a panacea—and I am not exaggerating in using this word—for all our troubles. But the methods used by Mr. Godley-Hyde are those of a large number of British economists in the policy-making world; and he appears extreme mainly because he has the courage of his assumptions, which others fail to display.

Prognosis clinched

Let us start with Dr. Jekyll before moving on to his alter ego. One of the things I have learned in the last few years is to pay careful attention to any hints Mr. Godley drops about the immediate economic outlook. In contrast to conventional forecasts of a slow-upturn, the Cambridge Economic Policy Review (published to-day) maintains that "output will rise fast as stockpiling ends and world trade recovers." Unemployment will stabilise and even fall for a while. Retail prices will certainly be held down, but in the Cambridge view 15 per cent. rather than single figures. The two signs of trouble for the future will be "an accelerating growth of imports and a decline in the purchasing power of average earnings."

Since these words were written, this prognosis has been clinched by two new economic indicators. It is not often that one month's figures make so much difference to a trend, but this has now happened both with the March unemployment

vacancy figures and the February money supply data. One's confidence is based not on the 5,000 drop in adjusted unemployment in March alone, but on this drop taken in conjunction with the vacancy figures. The latter have now been rising for three months in succession and have consistently to the labour market, guide to the labour market; they are also much less affected by artificial job creation.

Monetary policy is run in such a way that the money supply reflects current economic trends in addition to influencing future ones. The February jump in the money supply was so large that it converted a picture of monetary stagnation into one of monetary growth in the 8-10 per cent. range at an annual rate. For the time being, this is good news for economic recovery. But this very non-Cambridge indicator confirms the Cambridge suspicion that it will be extremely difficult to get inflation rates down into single figures, whatever Mr. Jack Jones says.

Until very recently I thought the Chancellor could reasonably budget for a public sector borrowing requirement in 1976-77 similar to the £10bn-£12bn outcome likely for the financial year now ending, provided that he had a programme of further emergency spending curbs in reserve and was prepared to raise taxes and/or allow interest rates to rise sharply if he could not get the cuts through the Cabinet. But the latest indicators have changed my view and I now agree with Cambridge that an urgent start must be made straightaway towards reducing the deficit, as "short term

sources of finance" such as de-stocking and abnormal private savings, which have helped with both the domestic budget and overseas payments, "are likely to reverse themselves rather quickly this year." To talk of any kind of domestic stimulus, as Mr. Denis Healey has been doing, is playing with fire and quite irresponsible in a political leader who aspires to higher things.

A great advantage of Mr. Godley's passion for thoroughness and consistency is that it brings to light many topics which are easily overlooked. On another occasion, I shall discuss the sections on public spending and presentation of the Budget in the Economic Review which, at first glance, are entirely written by Dr. Jekyll. But the special investigation most central to the main theme is the growth of the labour supply. This is expected to change dramatically from an average annual decline of 300,000 in the last decade to an average trend growth of 300,000—measured, of course, in full-time male equivalents.

Taken in conjunction with the planned standstill in public service employment, this means that "productive potential" is likely to rise by about 4 per cent. Ever since the National Economic Development Council was set up in 1962 "4 per cent. growth" has been a pious aspiration. Now, if these calculations are anywhere near the mark, we shall need a good 4 to 5 per cent. growth rate between 1975 and 1980 simply to get unemployment down to the 300,000 range, which even those monetarists who are sceptical of the conventional interpretation

of the unemployment figures, would accept as a reasonable target. It is at this point that Mr. Hyde enters the story. As the table shows, the Cambridge writers believe that to achieve even this modest unemployment target imports would have to grow by 12 to 14 per cent. a year in volume terms. The main central part of the table assumes that the exchange rate will move in such a way as not merely to maintain "constant competitiveness" in money costs, but to give U.K. producers an additional 3 per cent. a year cost advantage.

Even then there is no chance, in the Cambridge view, of securing the 14 per cent. growth of export volume which will be required after taking into account North Sea oil. The trend rate of growth of British exports has, after adjusting for the downturn in world trade, been only 8 per cent. in the last five years, compared with an overall world trade expansion of 8 1/2 per cent. To achieve the required result by the exchange rate mechanism would, in the Cambridge view, require U.K. producers to be given a 20 per cent. cost advantage over their competitors almost immediately. After allowing for the import content of exports, a nominal devaluation of almost 40 per cent. would be required to obtain this result, even if wage settlements could be pegged for some time at 7 1/2 per cent.

Quite apart from the domestic complications, such a devaluation would be a trifle difficult to arrange internationally. By contrast, import restrictions are seen as almost painless domestically.

THE CAMBRIDGE PROJECTIONS

(Expected growth of imports, and required growth of exports, for alternative output and unemployment targets in 1980)

Unemployment in 1980 (m.)	GDP	Manufactured imports (by volume)	Imports of all goods & services (by volume)	Exports requirement (by volume)
	Actual growth rates, 1965-75 (% per year averages)			
	1.9	9.7	4.9	5.8*
	Growth rates for 1975-80 (% per year averages)			
(a) with 3 per cent. a year cost advantage and zero balance-of-payments in 1980				
1.00	1.9	7.3	5.1	6.7
1.75	2.4	9.4	6.5	8.0
1.50	3.2	11.6	8.0	9.4
1.25	4.0	14.7	10.0	11.4
1.00	4.8	17.4	11.8	13.1
0.75	5.4	20.7	14.1	15.3
(b) with no gain in relative costs of U.K. producers				
1.00	4.8	19.9	13.4	14.9
0.75	5.4	23.7	16.0	16.4
(c) with £2bn. balance-of-payments deficit in 1980				
1.00	4.8	17.4	11.8	12.4
0.75	5.4	20.7	14.1	14.6

\* Actual rise in exports (% per year).

Source: Economic Policy Review.

MEN AND MATTERS

Trying to get them together

It will be interesting to see how Charterhouse Japhet makes out with its novel idea of forming an institutional syndicate to participate directly in the development of North Sea Oil. There is no doubt that the institutions are willing to invest in the North Sea—they put up around £50m. of the £75m. Lasso Scot fund-raising earlier this year—but no one has ever tried before to bring a number of pension funds and insurance companies together in a semi-formal syndicate.

The idea is the brainchild of Tony Craven Walker, 33, who is the manager of the oil and energy department at Charterhouse. The bank set up this department some four years ago, and it was run first by Richard Barry—an ex-Mobil man who remains a non-executive director of Charterhouse Japhet. Tony Craven Walker joined two years ago from BP: a petroleum engineer by training he did a stint in Alaska for BP, and when he left was project coordinator on the Forties oil field.

The prospectus, which has already been circulated to 55 major institutions and should reach another 20 to-day or to-morrow, is the end result of almost a year's work. It is based on the premise that some of the smaller development companies are prepared to surrender equity in exchange for finance, but that even the biggest institutions, however willing, cannot commit sufficient funds individually.

Craven Walker's problem has been largely one of education: pension and investment funds, he says, were not familiar with the profits and pitfalls of direct investment in oil production.



"Nobody's going to eat my porridge!"

For the last six months there fore he and his team have been touring some of the biggest institutions spelling out the details. At the same time they have been talking to a number of developers to make them receptive to the idea. Now, sufficient institutions have shown interest for Charterhouse Japhet to try to get the show on the road. If it succeeds it will be yet another vehicle for channelling private money into North Sea to fill the gap which the bank claims will be left by the British National Oil Corporation.

Coupon caper

Carreras Rothmans have revived nostalgic memories with their recent launch of "Black Cat" cigarettes containing cigarette cards, but a letter from India has forced W. D. & H. O. Wills to think even further into the past. A Miss V. Baby of Madras sent 110 coupons for redemp-

tion: not normally a problem for Wills whose Embassy cigarettes with their blue coupons are clear market leader in the U.K. market.

The snag is that Miss Baby's coupons came from Wills' "Scissors" cigarettes, which were made not by Wills, but by the Imperial Tobacco Company of India (under the long-standing agreement with British American Tobacco). Even more difficult was the fact that half the coupons should have been redeemed by January 1916 and the other half not later than 1933.

First reaction at Wills was to swap their "present" tickets, as they were styled, for a gift from the current Embassy catalogue. However customs, postage, and insurance problems would have involved the recipient in a good deal of expense. The final solution came from the Wills archivist, Ray Barrett, who discovered that the tickets had a curiosity value. They were sold to a collector for a five, which has now been sent off to Madras.

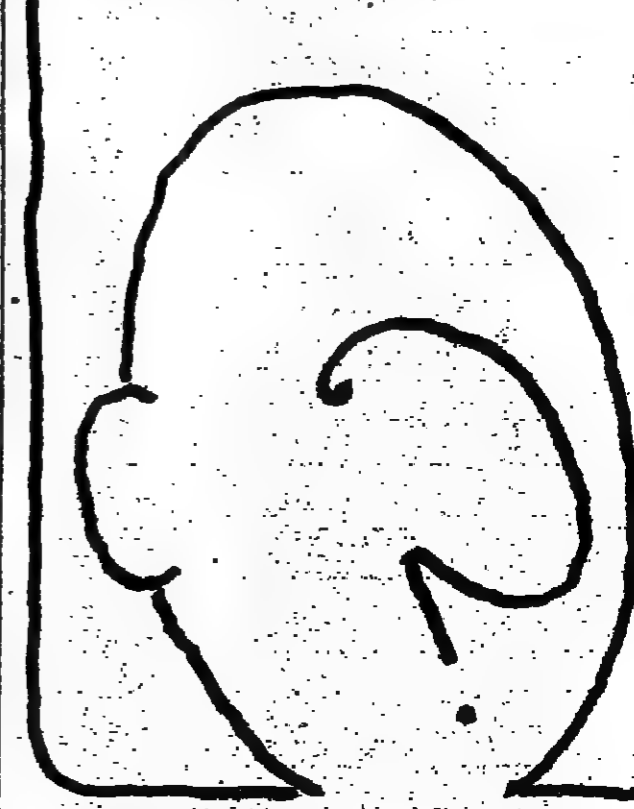
Good timing

Like the pocket calculator, the digital watch started off as an expensive toy for the rich, but has rapidly worked its way down market into the reach of most pockets. More properly called a light emitting diode (LED) watch it has the advantage of being more accurate and reliable than even some of the most expensive traditional wrist watches, and as prices come down sales are, apparently, booming.

One of the cheapest coming on to the market now is made by Trafalgar Watch Company and Tesco, for example, is planning to retail the three-function watch (hours, minutes and seconds at the touch of a

Prime User

If you own a Prime computer who will use it? Your stock controllers, accountants, engineers, managers, salesmen, lawyers, production chiefs, designers, researchers, publicists—even the chairman. The list of Prime users grows longer every day, in all areas of business, in all parts of the world. To join the 300 Prime users already in Europe ring 01-378 4946 and talk it over: you will find it useful.



PRIME  
Prime Computer (UK) Ltd.  
34-36 Bromham Road Bedford MK40 2DU  
The Coach House 175 Sheen Lane London SW14 5NA

Observer

Monday March 29 1976

The Middle East enjoys about 90 per cent. of OPEC's surplus oil revenues. The Arab countries and Iran are rapidly developing their financial institutions to participate in the recycling process.

# Shifting Lows of oil wealth

industrialised states, not least Britain, and the oil-producing countries must still be as having been inflicted the quintupling of per revenues in those years. They have been, however, by the relative price stability since the beginning of 1973 and the consequent ability to curb their expenditure. Significantly, the IMF does not now foresee the need for a new round of the oil price freeze in 1977 of the kind which would help the oil-producing countries to meet the most serious of their payments of interest and principal by the OPEC price cuts.

1974 the international oil community reacted coolly and resources in Iraq with the challenge of financing a collective OPEC fund of \$55bn., of which Iraq was accounted for by Arab countries and Iran. One of the volume of funds for the problem, which is so very much on the minds of the Arab countries, was considerably reduced in 1975. A low price for oil, a reduction of 10 per cent, and the oil states' reluctance in increasing their exports of goods and services faster than in the previous led to a surplus to some-thing \$3-40bn. Again the share of it 90 per cent, were accrued to the eight or East members of OPEC roughly two-thirds of it to four Arab producers—Saudi Arabia, Kuwait, the United Arab Emirates and

Others like Iran and Algeria (which was in deficit) felt the pinch from the drop in production, increased spending and inflation. It was this case in point, the fear of a freeze in purchases of oil, which led to strong build-up of pressure for a price increase of 30 per cent, or more at the OPEC conference last September. The compromise 10 per cent agreed as a result of determined Saudi opposition and the freeze until next summer will hardly be enough to cover inflation in the nine-month period. Just what the outcome of the next OPEC conference in the summer will be remains uncertain—making predictions about surpluses in 1978, hardly easy.

OPEC countries will probably be unable to maintain the same fast growth of imports as in the past two years. Whatever the limits of their absorptive capacity, it can be said with certainty that the 10 per cent. increment of last September will be subsumed by inflation.

Having withstood the first shock the international complex of money markets and banks has succeeded in channelling petrodollars to investment outlets. In this process there has been increasing participation by the Middle East producing states' own institutions and the encouraging development of the Arab funds and development banks, which should increasingly supplement the Euromarkets. More bilateral agreements between the oil states and the developing coun-

tries, whereby the former undertake a greater responsibility for the risks involved must be welcomed. In turn, this requires a strengthening of the financial institutions in the surplus states.

The proportion of surpluses following to the Euromarkets—37-38 per cent. in 1974—has probably risen in response to higher interest rates. For this reason the amount going to the World Bank in 1975-76 will be much smaller than in 1974-75. But even if the amount being repaid to the World Bank is deployed on the Euromarkets, it is too high for anyone to be complacent about given the risks of insolvency and the problems that could arise when debts come to mature. In the interests of the surplus oil states themselves, the case for evolving new recycling mechanisms for international, official basins would seem to be compelling—despite their continuing suspicion of any such process.

Given the sums involved, however, the existing machinery can be said to have done well. Inevitably, the oil producers must keep considerable funds in liquid form for budgetary reasons. However, the trend over the past year towards longer-term investment in bonds and real assets should be regarded as positive and healthy. It has been calculated that at the end of 1975 one-third of the oil States' holdings in the US were made up of long-term

government agency and private debt instruments, compared with little more than 10 per cent. at the end of 1974. Less satisfactorily for Britain's payments deficit, there was the marked shift of funds away from the U.K. to the U.S. and other countries.

U.S. Treasury statistics show that the Middle East members received oil revenue of \$78.97 billion out of an OPEC total of \$93.41bn. Because higher petroleum revenues offset a 10 per cent. decrease in production, receipts were 6 per cent. up on the \$74.50bn. estimated for 1974. Imports of goods, however, were reckoned to have increased by no less than 62 per cent. from \$34.90bn. to \$40.46bn., while the collective deficit on services account rose from \$2.08bn. to \$6.09bn. After taking into account non-oil exports, there was an inevitable surplus of \$38.12bn. in 1975, compared with \$49.96bn. in 1974.

Aid in various forms would have taken perhaps as much as a sixth of the excess revenue of the regions oil States. Statistically speaking, it is a grey area because of the different definitions. Taking the broader one used by the IMF and then UNCTAD (including the oil facility) Arab oil producers and Iran disbursed \$6.1 billion, made commitments of \$11.84 billion. In the first half of 1975 their actual outlay was \$3.48 billion, and undertakings made totalled \$9.39 billion. The weight was in favour of bilateral aid, and most of it went to Arab

countries — with the strongest concentration in Egypt, Syria and Jordan. A major factor here was the Rabat summit conference at which the Arab oil producers pledged themselves to donate in excess of \$1.5bn. mainly to the "confrontation states."

## Excess

Saudi Arabia will have accounted for about half the Middle East oil surplus in 1975 and promises to have an even bigger share in 1976. Last year the excess revenue in the hands of the Government was certainly greater than the increment in its gold and foreign exchange reserves. Until 1975 international liquidity was the guide to the foreign assets at the disposal of the Saudi Arabian Monetary Agency. It is now clear that the Kingdomdom has been moving discreetly, but substantially, into longer-term assets not registered by the IMF. After aid disbursements estimated at about \$2bn, the surplus in the hands of the Government cannot have been less than \$15bn.

Together with the Kingdom, Kuwait alone is set to generate very substantial surpluses for the rest of the decade. The State surplus of \$5.6bn. last year was less than in 1974. But income from the General Reserve, with assets now of over \$13bn.—most of them foreign—may be running at a rate of \$1bn. Despite the stated intention, in the wake of the price escalation, to devote

all its excess revenue to aid and investment in the Arab world and other developing countries. More recently there has been a frank recognition of the limitations and difficulties of that course. Kuwait has been active on the Euromarkets but has also been making heavy and unpublicised investments in equities and real estate.

As generators of petrodollars, the UAE and Qatar are on a smaller scale. Within itself, the UAE confederation presents a contrast: Abu Dhabi, where the main fields lie, is setting about a long-term investment policy, while Dubai is borrowing heavily to finance industrial projects. The Abu Dhabi portfolio, recently transferred from the old London-based investment board to a new, but still Western-advised, authority in the State itself, probably now controls assets worth about \$2bn. Yet with its surprising propensity to spend and generous aid donations, Abu Dhabi has had little surplus to invest. It amounted to no more than \$50m, last year and is expected to decline further in 1978. Qatar, with a much smaller petroleum output than Abu Dhabi, now has its own investment Board overseeing a number of portfolios and other

These four producers were the only ones which could look with equanimity at the decline in production and—in real terms — income. Already burdened with a heavy debt

Algeria may have suffered a payments deficit of up to \$2bn. last year. It resorted to the Euromarkets for \$300m. last year and will seek to borrow as much as much in 1976. As a result of big spending on development, Libya's international liquidity fell from \$3.61bn. to \$2.19bn. The reserves of Iraq declined less dramatically from \$2.37bn. to \$2.72bn., but it felt the necessity for raising a loan of \$500m.—none of which is believed to have been drawn upon yet. The smaller non-OPEC Arabian producers, Oman and Bahrain, are both borrowers. Most publicized of all have been the difficulties of Iran, which experienced a payments deficit for the financial year just ended and anticipates a budgetary one for 1976-77.

The pattern on oil wealth in the Middle East is a confused one. So, too, are the financial relations resulting from it. In the context of Arab nationalism it makes no sense to the purists that Algeria should have to turn to Western markets for loans which indirectly Kuwait or Saudi Arabia may contribute to. Creation of an Arab capital market will take time, but the progress being made towards it should not be discounted.

On the Euromarkets Arab institutions, particularly the Kuwaiti ones, are increasingly involved in leading and co-managing issues, including a few in Gulf currencies. More merchant banking ventures and in-

vestment companies are opening their doors. The aid funds and development banks are expanding their activities and may yet help to create the basis for a secondary market by raising loans and negotiable medium-term paper. Bahrain has added a new dimension by establishing its off-shore banking facility and the UAE may soon follow.

Yet the scene is a fragmented one, with a number of regional centres in early stages of development, dealing mostly with Western markets rather than with each other. In this connection, it should be noted, the Middle East was only inconvenienced by the virtual paralysis of banking in the Lebanon. Beirut had pretensions to being a major regional centre but touched little of the oil wealth itself.

As yet there has been no sign of the challenge from Egypt which was anticipated after the liberalisation measures and creation of "free zones."

However, in the Gulf, a homogenous area, moves are being made towards economic unity which could provide the framework for a strong, diversified centre of gravity for banking and finance. Notably there was the agreement at Kuwait, Bahrain, the UAE and Qatar to unify their currencies and to set up a Gulf Monetary Arabia attended a, an observer. The UAE and Bahrain earlier this year went ahead in accepting each other's money as legal tender. The Gulf States have also decided to allow each others' citizens to open businesses any buy property.

On a wider front the Arab oil producers are considering a common unit based on a basket of currencies for use in their joint economic projects. Most Arab Governments have subscribed to the Kuwaiti-sponsored Arab Investment Fund, and the Arab League has agreed to the creation of the Arab Monetary Fund has been reached and awaits ratification by the Arab League. Its aim would be to assist the poorer members with their payment problems, encouragement of trade between them and assistance with economic development. The monetary factor, the Arab world, despite its racial, political differences, would be a more coherent whole in its financial and banking relationships with the world.

## Richard Johnson

# The British Bank of the Middle East

United Kingdom  
Middle East  
North Africa  
India  
Switzerland

**Head Office**  
20 Abchurch Lane  
London EC4N 7AY  
Tel: 01-623 2030

**A Member of The Hongkong Bank Group**



# SARABEX GROUP

**SARABEX LIMITED**  
14 Moor Lane, London EC2Y 9BN  
Cable Address: Sarabex London EC2  
*Telephone: 01-628 2187*  
*(General 4 Lines)*  
*01-628 2791 (Dealers 10 Lines)* .  
Telex: 8811 663/4/5/6

**SARABEX INTERNATIONAL S.A.**  
46 Baumackerstrasse  
P.O. Box 616, 8050 Zurich Switzerland  
*Telephone: (01) 46 35 11 46 36 32*  
*46 36 68 46 37 93 46 37 06*  
**Telex: 58579**

**SARABEX (BAHRAIN) LIMITED**  
(From 20th April 1976)  
P.O. Box 5488,  
National Bank of Bahrain Building,  
Government Road, Manama, Bahrain  
Commercial Registration Number 4657  
Telephone: 51231-51375 (General)  
50672-50812-50855-52225 (Dealers)  
Telex: 8604/5/6/7

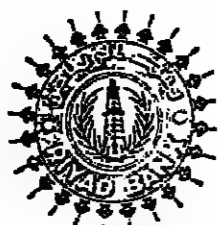
**SARABEX LIMITED**  
P.O. Box 11-1121, Beirut, Lebanon  
*Telephone: 336574-243493*  
*Telex: 20943/21132*

## THE ARAB MONEY BROKERS

**Reuter Monitor Code: ABAE**

## RIYAD BANK LIMITED

Incorporated in the Kingdom of Saudi Arabia



FOR BUSINESS WITH  
**SAUDI ARABIA**

29 BRANCHES PLUS  
INTERNATIONAL NETWORK OF  
CORRESPONDENTS

HEAD OFFICE: P.O. Box 1047, JEDDAH  
Cables: 'RIYADBANK'  
Telex: 40006 RIYADEX SJ  
Tel: 32416 - 32417 - 32418

# The merchant's advance

ACCORDING to an attractively produced publicity brochure, itself a sign of the evolution of Arabian merchant enterprises, the Juffali Group of companies would rank among the 300 largest industrial corporations in the United States. The Group's trading activities have established Saudi Arabia as the world's third biggest importer of Mercedes trucks, and the company ranks among the two or three biggest importers of the products of many of the other corporations its represents.

In Kuwait a similarly massive importer, Yusuf Ahmed Al Ghanim and Sons, has become the world's biggest General Motors and Philips Electronics agent—and although, like the Juffali group, the Al Ghanim company is probably the biggest single private trading enterprise in its country, it in no sense eclipses the operations of the other more important merchants.

What is remarkable, by Western standards, about all of these importing-cum-industrial groups in the Arabian Peninsula is that they are owned by single families, or more often by just a few members of these families—and it is because of this ownership pattern, when taken in conjunction with their enormous size, that they now appear to have reached something of a watershed in their development.

In many cases the men who founded the companies or who have presided over their growth for the past 20 years have now reached retiring age, and this has raised the issue of the succession. The sons of the founders may not be as able as their fathers, and they may, in particular, try to Westernise the management style of their companies too quickly or in too superficial a fashion; they may quarrel with their fathers; they may quarrel among themselves and split the companies; or they may simply not want to take over their fathers' positions. There have already been

sufficient examples of all of these things happening for the succession problem to be taken seriously.

Closely bound up with this issue is the problem of management methods. In all the Arabian merchant enterprises (as in Arabian governments) a great many quite minor decisions are still taken at the top—and for all their Western training and the lip service they pay to delegation, those members of the younger generation who have already taken over their fathers' companies have continued this practice. The consequence is not only that the companies are prevented from making the best use of the highly trained European and American personnel they have in their senior management, but also that the retirement or death of the older generation there has sometimes been a loss of control, resulting in lower profitability.

The latest bottleneck affecting the Juffalis' operations has been a shortage of vehicle number plates.

Potentially the merchants might increase their profits still further (some estimates would suggest by as much as 100 per cent.) if only their operations became more efficient. The most obvious area of inefficiency lies in the decision-making process, but many of the companies also maintain inordinately big stocks, and many are overstaffed with rather low quality junior management.

However, reassured as the thought of having the potential for a doubling of profits may be, the position of the big importing groups is not invariable. If they allow their businesses to remain static, which must be a temptation in the case of companies whose products seem to have reached a point of market saturation, they may find that rising overheads begin to erode their margins. More significantly they will suffer from competition from new up-and-coming merchant houses, many of which are more aggressive than the established families, and some of which (these being the newer motor car importers) are backing their sales drives with improved servicing facilities. Servicing and spare parts have been weak spots with Arabian motor importers in the past.

It was considerations such as these, plus a desire to gain greater control over the price and supply of the goods they imported, that prompted the Juffalis to enter a joint venture with Daimler-Benz for a Mercedes commercial vehicle assembly plant. This plant is now under construction near Jeddah.

The Juffalis have for some time held stakes in the electricity companies of Mecca and Taif, Jeddah, Medina and Hofuf, and in the Saudi Cement Company in Dammam, which has

recently signed a sales agreement with the Bahrain Government under which a second plant will be built in the Eastern Province to meet Bahrain's requirements.

Although many of the other biggest merchant enterprises Al Ghanim has a joint venture carpentry workshop and a babies nappy factory; Youssef Ahmed Al Ghanim and Sons has a joint venture with an American company for building steel frames; the Al Ghanims make plastic pipes, steel products (such as boilers) and prefabricated houses; and the Shabans have a paper and plastic bag factory, an aerosol products factory, a bottling plant for frozen gas (for air conditioners) and an envelope factory under construction.

What has happened in Kuwait (and in Saudi Arabia), however, is that merchant families have formed themselves into groups to undertake industrial projects through private shareholding companies. In Saudi Arabia this has been a fairly recent trend (at present investors are showing great faith in industries to manufacture building materials), but in Kuwait the expansion in size and numbers of private shareholding manufacturing companies goes back to 1965 with the passing of the Industrial Law and the establishment of the Shuaba Industrial Area, in which the Government has constructed the basic infrastructural facilities and laid on cheap power and water supplies.

In both countries private industrial ventures are encouraged by tariff protection, a licensing system which will generally ensure a monopoly for new manufacturing companies (unless there is clearly room for more than one company manufacturing a particular product), and the possibility of obtaining cheap long- or medium-term finance from new industrial development banks.

Michael Field

We help to get a lot  
of projects  
'off the ground'



## The Bank of Nova Scotia

Incorporated in Canada with Limited Liability

Assets in excess of Can. \$16,000,000,000  
Over 1000 Branches and Offices located in 40 countries

BEIRUT

Riad El Solh Street, Beirut, Lebanon Telephone 297010 Telex Scotia 20764 LE

CAIRO

This branch will shortly be moving to new premises at Cairo Free Zone Branch, 3 Ahmed Nassim Street, Giza, Arab Republic of Egypt.

General Office - 44 King Street West, Toronto, Canada, M5H 1E2  
Regional Office - Europe, Middle East & Africa, 19/23 Knightsbridge, London SW1X 7LY. Telephone: 01-235 1105.

البنك الكويتي للاستثمار (ش.م.ك.)



## KUWAIT INVESTMENT COMPANY (S.A.K.)

Established by Amiri Decree  
Issued in Kuwait, November 25, 1961

An investment banking institution owned 50% by the Government of Kuwait and 50% by Kuwaiti nationals.

Its main activities are:

1. Direct participation in joint ventures of industrial, commercial, shipping and real estate development undertakings.
2. Major underwriter of international debt and equity issues.
3. Placement of loan and equity funds to existing enterprises.
4. Venture capital undertakings.

P.O. BOX 1005 — SAFAT — KUWAIT

Cables: ESTITHMAR Telephones: 423291 10 (lines) Telex No.: ESTITHMAR 2115 KIC 2474

### Survival

In the minds of a few businessmen in the Arabian Peninsula, therefore, the question has arisen of whether, for the sake of ensuring the survival of the companies they have created, it might not be a good idea for them to go public. But so far none has taken the plunge, and as far as one can tell, none has even come very close to doing so.

In a quite different sense some of the companies have reached a watershed in as far as the range of their activities is concerned. Traditionally the merchants' operations have been fantastically profitable because of the huge margins they have built into the price of the products they import; and in the past two years they have done well out of the big increase in Government spending, even though they have suffered from the same bottlenecks that have affected the State development programmes.

It was considerations such as these, plus a desire to gain greater control over the price and supply of the goods they imported, that prompted the Juffalis to enter a joint venture with Daimler-Benz for a Mercedes commercial vehicle assembly plant. This plant is now under construction near Jeddah.

The Juffalis have for some time held stakes in the electricity companies of Mecca and Taif, Jeddah, Medina and Hofuf, and in the Saudi Cement Company in Dammam, which has

# London loses some of its petrodollars

THE CITY of London has steadily lost its attraction for oil funds over the past year or so. This is not to say that it does not still have a central role in handling the oil-exporters' money. But the figures published by the latest Bank of England Quarterly Bulletin are a reminder of the decline in attractiveness of London to OPEC investors and of the competition from other centres. Last year Britain was the repository for only \$4.3bn, or 14 per cent. of the oil-exporters' total surplus of \$31.5bn. In 1974 Britain had attracted some 37 per cent.—\$21bn, out of \$56.4bn. By contrast, the U.S. retained about the same proportion in 1975 as in the previous year—19 per cent.—though the actual amount (\$8.1bn.) was down on 1974's \$11bn. The decline in the total surplus, like that in the U.S. share, reflected rapid spending by the oil states on imports.

The Bank statistics also show that the OPEC states' preference for Eurocurrencies is on the increase. None of the OPEC surplus which came to London last year added to sterling investments and \$4.1bn. of the \$4.3bn. total went into foreign currency deposits in the Euromarkets, with another \$200m. in other forms of foreign currency lending to British borrowers.

An outflow of \$300m. from Treasury bills cancelled out the \$400m. invested in British Government stocks and \$500m. in sterling deposits and other sterling investments. In the last quarter the contrast was particularly marked. Foreign currency deposits grew \$1.5bn, while net sterling investments remained nil, \$100m. purchases of Government stocks and a similar amount of other sterling investment being offset by an outflow from Treasury bills of \$200m.

The drop in investment in sterling reflects the currency's decline as a medium for payment of oil revenues. By the last quarter of 1975 the proportion paid in sterling was down to 8.6 per cent. (only \$2.4bn. out of \$28bn.). In the whole year it was 11.4 per cent. (\$12bn. out of \$105.1bn.). This contrasted with the 20 per cent. paid in sterling in 1974 and the 34 per cent. in 1973.

The decline of sterling's share of the OPEC surplus in 1975 was hardly surprising in view of the weakness of the pound for most of the year and the strength of the dollar. Sterling's

weakness wiped out the advantage of the extra 3 per cent. or so that can normally be made on sterling investments over dollar ones. In the past the oil-exporters' use of London as a repository for their funds helped shore up the pound: recently their lack of interest in it has contributed to the downward pressures on it. This has been continuing this year as first Dubai and then Nigeria transferred funds out of sterling.

Published investment activities by the oil states in the touchy areas of major equity and property purchases also dropped off in Britain last year, as the figure of only \$300m. given by the Bank for other sterling investments in 1975 shows. There was nothing like the previous year's \$1.07bn. take-over by Kuwait of St. Martin's Property Corporation or Abu Dhabi's purchase of a 44 per cent. stake in the Commercial Union building in the City, though individual Arabs and Iranians were busy on the private property front, and equity dealings involving holdings of less than 10 per cent. in any one company continued without much fuss.

The major interest in Arab share-dealings over the past few months has centred on Lomrho, in which the Kuwaiti company Gulf Fisheries now has a 21 per cent. stake. The complicated dealings that have gone on since the beginning of the year have engendered speculation that the mining and industrial group may soon change the base of its operations from London to the Middle East. Edward Bates and Sons (Holdings), the London merchant bank, has already benefited from the purchase last year by an Arab consortium of a 25 per cent. stake in it. Arab business gained as a result of the purchase helped it turn a £15.2m. 12-month loss into a £299,000 pre-tax profit for the six months ending September.

London remains a major centre for the OPEC countries because of its wealth of financial expertise, its importance in the Euromarkets—Iran, Algeria and Iraq have already started borrowing in a big way—and the historical links with the Gulf, which British banks play a big role in the management of official reserves in the Gulf emirates, though the lion's share of Saudi Arabia's massive surpluses are handled by American banks. 25 per cent. of the Saudi International Bank, just opened, which is 55 per cent. Saudi and 20 per cent. British, is owned by the Bahrain Monetary Agency, the Qatar National Bank and other institutions. The Qatar Investment Board has a representative of Coutts as one of its members. However, there have been some changes over the past year. The Abu Dhabi Investment Board, which was chaired by Sir John Hogg of Williams and Glyn's Bank, and met in London, has been dissolved and replaced by a mainly indigenous authority based in Abu Dhabi.

Most of the oil states channel their funds destined for London through the big British and American banks, but Kuwait also maintains an investment office with a staff of 30 and the Qatari have one to function in a purely advisory capacity. The Kuwait Investment Office is an arm of the Ministry of Finance's investment department and has its origins in the Kuwait Investment Board, which was set up in London in the 1950s. The Kuwaitis like London for the range of investments available and the plethora of smaller companies quoted on the Stock Exchange, which provide many opportunities for sound, and discreet, investment.

Differences in time zones and operating hours have encouraged the establishment of Middle Eastern Banks in the City. Iran is the best represented country, with six banks. Bank Melli Iran, like Iraq's Rafidain Bank, has been in London since the 1950s. Apart from the Gulf Bank's representative office, no Kuwaiti bank has a direct presence, though four commercial banks and two investment companies are partners in the United Bank of Kuwait, which earlier this month opened its third branch in London.

Middle East banks have also found London a useful venue for joint banks with Western interests as an entrée into international markets and as a training ground for their own staff. These banks include the Overseas Investment Bank, in which Iranian, British, American, Japanese, West German and French banks have 10 per cent. stakes; UBAF Ltd. (50 per cent. UBAF of Paris, 25 per cent.

Michael Field

Peter Field

## MIDDLE EAST BANKING AND FINANCE III

## Regional centres stake their claims

THE CIVIL war in Lebanon has probably the most potentially serious impact on the banking development of the Middle East Region in the last year—was king. The cumulative effect conceived with only marginal impact on the banking development of the region. The Beirut-based banking centre has been the focus of intense competition over the last few years. The Beirut-based banking centre has been the focus of intense competition over the last few years. The Beirut-based banking centre has been the focus of intense competition over the last few years.

## Euphoria

Thus as the petrodollar euphoria caught on, Beirut seemed the place to establish a Middle East headquarters. Banks rushed to be in Beirut, not so much to take part in the local market, but to ensure access to the wider market, especially in the Gulf and Saudi Arabia. Conditions were not ideal. The foreign banks that bought into Lebanese banks in this period, 1973-74, for instance found themselves limited in their operations by a Central Bank ruling that the volume of business be conditioned by the balance sheet of the banks at the end of 1973 (often before the partnership had had time to expand). The local market was limited by the virtual absence of a secondary market, negligible trade in securities, small scope for rediscounting paper, and an insignificant stock exchange. The Central Bank also operated a conservative policy and discouraged a major expansion of Beirut as a real centre by levying charges on all deposits in the country.

These limitations on the expansion of the local market

also combined with another trend. The strength of the Lebanese banking system had relied essentially upon private capital—funds placed by individual wealthy Lebanese and other Arabs. The dramatic increase in oil revenues from 1973 onwards saw wealth itself begin to play a major part in disbursement, thus carrying out much more banking activity within the country directly themselves. At first last year it seemed. In the hectic search for a new centre, that one place might be able to establish itself. However, now it has become obvious that Beirut in many respects was unique and that there is no alternative. So we are left with a series of places each aspiring to play a greater role. To take the two non-Arab capitals first: Athens and Tehran. Athens attracted a flood of "temporary" visitors attracted by its good communications, security for families and liberal attitude to foreign companies. Yet Athens never could or can set itself out as a true Middle Eastern base as much as everything because it cannot really claim to be part of the Middle East. Although it may have attractions for the Greeks, there is little logic for foreign banks to promote a regional financial

centre there, especially as the European markets are so close. The fact that Tehran is not part of the Arab world has been only a small element mitigating its efforts to establish itself as a regional centre. Tehran was the first Middle East capital to set out to establish itself as a financial centre and capital market when oil revenues jumped in 1973. Much was written and talked about its potential, culminating in two large conferences, one with leading U.K. bankers in October 1975 and one with U.S. bankers this month. The general thrust to emerge from these two conferences was that the needs of Iran's own developing economy were such as to put a priority on strengthening the existing banking structure and laying the basis for a local capital market—which yet did not preclude it from subsequently expanding to have a broader regional horizon.

There are 12 foreign joint venture banks (with minority shareholdings) and 40 representative offices now in Tehran. Although there is plenty of local business available, expansion into an international centre remains inhibited by a number of factors. Principal among these are poor communications, and generally inadequate infrastructure—Tehran has enormous problems to overcome in this respect before businessmen can operate efficiently. There is a lack of trained staff particularly in the middle echelons plus very limited back-up facilities essential to a financial centre, such as accountants and lawyers. The stock exchange is only just beginning to gain momentum and insurance and life insurance are still in their infancy. Quite apart from this, there are limitations on the activities of foreign banks who cannot run wholly owned operations.

Restrictive policies also limit the potential role of Kuwait. Of the Arab countries outside Lebanon, Kuwait could claim to have the most highly evolved and sophisticated financial institutions. If it had wanted to, Kuwait could have become a much more important centre than it is. Instead a restrictive policy preventing direct participation by foreign concerns in financial institutions severely limits the attractions and potential of Kuwait.

Nevertheless it is clear that Kuwait is destined to play an increasingly important role. As seen elsewhere both public and private Kuwaiti funds have become an increasingly important element in both regional and international investment. For instance private foreign investment is estimated to be now alone worth \$6bn.

Equally interesting is to speculate on the effect of moves, much at Kuwaiti instigation, towards creating a common Gulf currency which would really pave the way for a regional capital market in the Gulf. It is recognised that if this project goes through then the central banks of the Gulf would also have to co-operate in determining a common policy on such things as interest rates.

The first signs of a small change are already evident in agreement on a joint Kuwaiti-Bahraini bank which will be the first foreign banking venture to be permitted in the state. Although the Kuwaitis will not admit it, there appears to be recognition in private that Bahrain has stolen a march by "going offshore"—something which Kuwait could easily have done if it had so desired.

Bahrain has been the most aggressive in seeking to establish itself as a regional centre—

not surprisingly since it does not have the major oil resources of its neighbours yet can capitalise on its geographical position, good communications, a substantial supply of local trained manpower and an open minded society. The decision to turn Bahrain into an offshore banking centre was announced last September but had been under study for nearly a year. The project has been based upon the calculation that the whole region is a lender of foreign exchange reserves to the Eurodollar market. Until now this money has been placed with banks in Europe, particularly in London, or the U.S. Thus Gulf depositors have had to do their business outside the region, using outside facilities and outside their working hours. Therefore by allowing the banks, the primary takers of the funds, to open offices in Bahrain, at least some of this business will be done there.

Licences

The Bahrainis also hope that with the island's geographic location half way between London and Singapore (time zones, trading will be permitted in both places—so filling a gap in the world wide financial geography. So far 38 banks have taken up licences to operate offshore. These include most of the blue chip names such as Citibank, Chase, Lloyds International, NatWest, Algemene Bank and Societe Generale. There are also six regional capital markets in the Gulf. It is recognised that if this project goes through then the central banks of the Gulf would also have to co-operate in determining a common policy on such things as interest rates.

Overall the picture is a healthy one, despite Beirut's problems. Banking practice and the financial institutions are being strengthened as a direct result of this "Balkanisation." While no one capital is likely to establish itself above the others as a regional centre, there are at least a number of smaller centres, which anyway are probably more manageable by the individual authorities. And this is not to forget that Beirut can still come back into the picture if security is restored.

Robert Graham

## Investment operations

PAST two years have seen the appearance in the Arabian Peninsula of over a dozen investment banking operations, mostly in the form of partnerships between foreign banks and local investors. From the ruling families and merchant communities, part the arrival of these banks has reflected the prohibition on the establishment of foreign commercial banks in the Arabian Peninsula. "Off-shore banking units" in Saudi Arabia and Bahrain, but at the same time promoters of the new banks have been encouraged by what have identified as a gap in the market in the area of long-term finance industry.

With only three exceptions—being Kuwait Financial Bank (National Bank of Washington and members of the al-Jalal Ghannim and Mazouk), Continental Bank in Iraq (Continental Illinois Bank), and a bank under formation in Saudi Arabia—the new joint ventures operating on strictly American investment banking lines, are not engaged in taking short-term loans.

One of the investment banks so far operating for much longer than 12 months, and none of which is yet sure of how its business will evolve: several

have already found themselves doing work that has been rather different from what they originally envisaged. But broadly speaking their activities can be divided into three inter-related categories: the management, underwriting and placing of bond issues; corporate finance project development, including consultancy work and feasibility studies; and, in one or two cases on a much smaller scale, equity issues.

## Active

Bond Issues: Traditionally the three institutions most active in the international bond business have been the Kuwait Investment Company, the Kuwait Foreign Trading, Contracting and Investment Company and the Kuwait International Investment Company, which, having substantial funds of their own, do not qualify as investment banks in the typical American sense. These companies have placed the bulk of their bonds with the Kuwait Ministry of Finance, and have done little to promote sales on the local market.

The two institutions that have mounted significant retail operations for foreign bonds so far are Kuwait Financial Centre, which places mainly with members of the ruling family; and the investment banking depart-

ment of National Commercial Bank (the largest commercial bank in Saudi Arabia), which has had great success in placing two royal issues, for the Moroccan Government and Spanish Autopistas, with the Saudi public.

It is only in Kuwait that a major attempt has been made to establish a proper secondary market, with the issue by public subscription last November of KD5m, of 41 per cent, three year, bearer bonds by the Industrial Bank of Kuwait.

Corporate Finance and Project Development: Despite the existence of big private-sector surpluses in the Arabian Peninsula countries (and particularly in Kuwait), there is substantial demand for medium- and long-term loans to finance land purchases, property development, and certain types of industrial projects. In Saudi Arabia investors are at present showing enormous faith in such industrial projects as the manufacture of steel bars and mesh, bricks, aluminium frames, and other products which will be needed for the Kingdom's industrial development.

Industrial investors can get substantial cheap loans from the Industrial Bank of Kuwait and the Saudi Arabian Industrial Development Fund; but in Saudi Arabia, where the Fund will provide up to 50 per cent of a project's capital requirements while investors normally aim at gearings of 75-25 or 80-20, there is generally demand for some 25-30 per cent of capital requirements to be met by a bank loan.

In both Kuwait and Saudi Arabia, however, long-term finance is in short supply. In Saudi Arabia this shortage stems partly from the conservatism of depositors and partly from the Saudi Arabian monetary agencies refusal to offer any discount or loan facilities; and in Kuwait it stems from the existence of the statutory 7 per cent ceiling on interest rates. This ceiling makes for a small margin between the rates of interest paid and charged by the banks whenever there are high interest rates prevailing in Europe, and has the additional effect of virtually eliminating the difference between rates paid for long-term and short-term money—thus encouraging depositors with long-term funds to place their money outside the country and inducing the banks to finance business with short-term facilities that are continually rolled over.

It is not surprising, given the small number of banks in the two richest Arabian Peninsula states and their shortage of medium- and long-term funds, that those few cases where local investment banks have managed significant corporate finance operations to date have involved the banks bringing in institutions from outside the region. Thus Oryx Investments (headquartered in Dubai and owned by Arabthoot Latham, Chartered and leading merchants from almost all of the Arabian Peninsula oil exporters) drew on non-Arab sources for three-quarters of the first Eurodollar syndicated loan it managed for an industrial borrower in the Gulf.

The main role of the investment banks in Arabian Peninsula corporate finance, therefore, may be in carrying out feasibility studies, arranging

adequate management for projects and organising the presentation of requests for loans to the industrial development banks and commercial banks.

Equity Issues: Almost all the investment banks are active in putting together joint ventures and partnerships, but in only one or two instances do they see themselves becoming involved in arranging the floating of new companies on the stock markets. These few banks admit, furthermore, that given the inevitable enormous oversubscription of new issues, the management of such issues requires little of the skill associated with the process in London and New York.

There is anyway little demand for outside equity capital by the promoters of companies (even though they demand quite large bank loans), and in those cases where additional equity is required the promoters will generally arrange for contributions from their friends on a private basis. Consequently public companies in the Arabian Peninsula are few in number—running to about a dozen in Saudi Arabia (made up largely of utilities and cement companies), 34 in Kuwait at the end of last year, and a similar number in Dubai, though there the public companies are much smaller than in Kuwait.

## Contrast

It seems that the development of investment banking and the development of stock exchanges in the Arabian Peninsula will proceed separately, in contrast to the normal situation in the western capital markets.

In Kuwait there is unlikely to be much connection even between the share market and the bond market. This is partly because ownership of Kuwaiti shares is restricted to citizens of Arabian Peninsula oil States (which means that the transfer system is determined by the investor having to establish his identity before buying) whereas IBK bonds can be bought by anybody; and partly because the trade in shares is managed by somewhat unsophisticated (though very canny) stockbrokers, whereas IBK bonds are traded through the banks and investment companies.

In Bahrain and Saudi Arabia nothing is being done by the authorities to develop formal stock exchanges, and in Saudi Arabia a stock exchange would anyway be difficult to run until there are better telephone communications within the Kingdom.

In Kuwait there has for five years been a stock market development plan, devised by a London stockbroker, but apart from a tightening up of reporting procedures applied to public companies, and the recent hiring by the Ministry of Commerce of a building which is now being divided into boxes to accommodate the brokers offices, little has been done to implement the scheme. Kuwaiti brokers are still not intermediaries in the transactions they arrange: in effect they introduce the buyer and seller to each other, and payment goes directly between the two customers.

Only in Dubai is there now a formal stock and commodity exchange, with 40 members, each of whom is required to pay Dr5,000 for membership and to provide a bank guarantee for Dr5,000. However the

# Deutsche Bank offers you an "à la carte banking service" for the Near and Middle East.

Only close cooperation between financial experts, specialists in the country concerned, and people knowledgeable about the specific sector of trade or branch of industry can ensure that you receive really comprehensive banking service. And that's the kind of service you should demand.

To take advantage of the outstanding prospects in the Near and Middle East a bank requires not only enormous financial resources but also an intimate knowledge of the country in question, its people and their habits. We as an international bank have this knowledge. Our executives are specialists whom it pays to consult if you wish to promote your business interests in this region.

We can work out financing plans, provide introductions to business firms and authorities, and assist with arrangements for long term joint ventures.

Find out more about our "à la carte banking service" — either at our offices in Germany, our London branch or at any of our 67 bases in 44 countries. We can suggest how to make best use of the services we offer.



## Deutsche Bank

**We turn Problems into Opportunities**

Headquarters: Frankfurt (Main)/Düsseldorf

Our address in London:

Deutsche Bank AG, London Branch,  
33 Great St. Helen's, London EC3A 6BR,  
Telephone: 01-283 4941, Telex: 887730

**UBL**  
at your service

**internationally**

With its worldwide network of 29 branches in the U.K., Gulf and Middle East, Representative Office at Hamburg, Sub-offices in Switzerland, and Lebanon, Joint Venture in Oman and over 1150 branches in Pakistan, UBL serves you nationally and internationally.

**UBL OVERSEAS NETWORK**

**Branches**

**U.K.**

- London (5 Branches) • Birmingham
- Edinburgh (2 Branches) • Sheffield • Manchester
- Glasgow • Huddersfield • Luton • Saltley
- Reckless • Nottingham • Barking (Essex)
- Widnes • Leeds • Oldham

**Gulf & Middle East**

- Abu Dhabi (5 Branches) • Ajman • Doha • Qatar
- Dubai (5 Branches) • Ras-Al Khaima
- Silail Al-Qaim • Fujairah • Bahrain (3 Branches)
- Sharjah (2 Branches) • Dammam • Saudi

**Representative Office**

Hamburg

**Subsidiaries**

- United Bank of Lebanon & Pakistan S.A.L.
- Bahra • Hovek • Raouche • Tripoli
- Saudi Hamoud & Hanka

**United Bank AG Zurich**

**Joint Ventures**

- Commercial Bank of Oman Ltd
- Muscat • Oman

**UBL UNITED BANK LTD.**

Head Office: Karachi, Pakistan

## SAUDI ARABIA

## Inadequate institutions

ONLY 25 years ago, none of us was still relatively poor—a tional Muslim reluctance to pay Saudi Arabia earned about \$28.9bn and spent about \$17bn. In 1976 it is reckoned the country's income will be around \$30bn its international reserves as registered by the IMF were \$23.4bn. In January this year, having risen for the fourth month in a row, the \$142bn. 1975-80 development plan is an attempt to absorb this wealth into productive outlets, but the physical and social bottlenecks—mainly ports and manpower—are already obvious. As recently as 1974-75, project expenditure, although at an estimated SR15bn. (\$4.3bn.) it exceeded the previous year's SR10.3bn. or \$2.9bn., by nearly 50 per cent, was still almost half the sum allocated (SR26.4bn. \$7.5bn.). The same goes for the three years before that.

A small but rising portion of Saudi Arabia's vast revenue is set aside for aid to poorer countries. In 1975 its bilateral concessional aid totalled \$901m., \$40m. more than 1974, but this made only a minor dent in the Kingdom's investible surplus.

At the time of Anwar Ali's death in November, 1974, there

was speculation that a State Investment Corporation was to be set up to handle the investible surplus. Instead, advisers from Barings and White Weld were seconded to SAMIA's investment department and more centralised control of investment policy by the Government was introduced. (SAMIA's headquarters are to move from Jeddah to Riyadh in the next few years.) However, the guidelines of investment policy remain basically the same, with a concentration on deposits in the world's biggest banks, on the marketable debt of industrial countries and on high-quality corporate debt. The Saudis have put less emphasis than the other Gulf states on equity and property purchases.

Even in the private sector much of the project finance is likely to be provided by an Arab Investment Company, in Government Institution—the Saudi Industrial Development Fund—which was set up in 1974 but has been in full swing for just over a year. The SIDA lends for up to 50 per cent of the costs of a project. So far, the average on the SR930m. (\$266m.) committed to 55 projects is 42 per cent. For electricity companies, for which there is a separate financing facility, the average is 80 per cent. Such has been the demand for loans, reflecting the dearth of other sources as well as the "commission" of only 2 per cent on each loan, that the capital of the Fund has been raised from SR500m. to SR3bn. (\$857m.), and the separate electricity allocation to SR1.25bn. (\$357m.). In addition six or seven new project officers have been taken on by Chase Man-

hattan, which manages the Fund, to help the dozen or so industrial Bank of Japan (SBIB), (\$2.5bn.), and money already there to cope with the Schroders were rumours supply increased by 40 per cent. With the Government responsible for about 50 per cent of domestic spending, the banks have not so far played a big part in medium or longer term project finance. Their main role is still import financing and loans for construction. But as the pace of economic development increases, there are signs that some of the liquidity is being mopped up. Deposits in commercial banks rose by 55 per cent in 1974-75, while loans and advances to the private sector soared by 80 per cent.

## Recent

The lack of other sources of project finance reflects the comparatively recent need for such funds. Much local investment is centred on land and property. To try to satisfy some of the demand, the Government set up the Real Estate Development Fund and raised its capital last year from SR250m. to SR2bn. (\$57m.). The Riyadh-based Arab Investment Company, in which 14 Arab states are partners, is meant to engage in local ventures outside the property sector, as well as encouraging development in the poorer Arab countries. The biggest project it is involved in so far in Saudi Arabia is a SR80m. (\$23m.) luxury hotel to be built in Riyadh.

Other State institutions offering domestic credit are relatively small fry. The Agricultural Bank's lending still reaches only some 5 per cent of farmers. The Saudi Credit Bank lends to low-income citizens for needs such as getting married (71 per cent of the SR 25.4m. or \$8.1m. lent by March, 1975), or repairing homes (28 per cent).

A few local embryonic merchant banks have started up—notably the Saudi Arabian Investment Company, Xenel Industries and the Saudi Capital Corporation—but their main role so far has been advisory. Foreign banks are known to be eager to get into the field, mostly in partnership with local interests. Chase Manhattan last year got permission from the Federal Reserve Board to hold 20 per cent of a proposed Saudi Arabian Invest-

Peter

## Awash

The problem for the commercial banks—two Saudi and nine foreign—is not attracting funds but finding good borrowers. Saudi Arabia is awash with oil wealth and there are too few institutions to soak it up. Total assets and liabilities of the commercial banks in

## EGYPT

## A transition period

EVERY MORNING outside Cairo's biggest offshore bank, the Arab International Bank, dozens of 40,000 account customers wait to slip in before the counters get too crowded. A few black marketers follow them to hang round the lobby banking hall discreetly offering to buy dollars as the customers leave.

In the past six months what are known as "currency leakages" have changed in pattern as the first foreign banks have opened for business—banks such as American Express and First National City Bank. Foreign exchange branches and Chase National Bank, a joint venture bank dealing in Egyptian and foreign currency.

The extent of black currency has probably increased steadily as the Egyptian middle class has indulged itself with consumer goods in the past 12 months, but it would exist with or without these new outlets. The police watch the black marketers and occasional arrests are made. But the money system in Egypt is in transition and the authorities tacitly acknowledge that a black market is inevitable in a country with a protected and overvalued currency.

The entire banking system in Egypt is in transition with legislative, regulatory and actual changes taking place so fast that the pattern seems to change month by month. President Sadat has pointed out the direction of his economic liberalisation programme but the banks, both Egyptian and foreign, have to feel their way along as they deal with the practical applications.

## Joint

The theory is easy. In June 1974, Law Number 43 on the Investment of Arab and Foreign Capital and Free Zones grants Egyptians and foreigners the right to undertake banking business in Egypt in joint venture merchant and investment banks and branches.

Application, however, is another matter. As with any new law the fringes are speckled with grey areas of uncertainty. Law 43 is no exception. One oversight held up the opening of Chase National despite the forceful push given to this joint venture by Mr. Sadat's friend, Mr. David Rockefeller. It was discovered at the last minute that regulations forbade National Bank directors from sitting on the Board of another bank, not even their own new joint venture. Changes were rushed through and Chase National opened on September 15, 1975.

Chase National already has 78 employees, a second branch on the way and a third under study in Port Said. Most of the business, for both foreign and Egyptian account holders, is in hard currency, though observers estimated one-third of business is in local currency.

Close rivals for the accounts in foreign currency are American Express International—which has foreign currency branch and is setting up a joint venture bank (Egyptian-American Bank)—and First National City Bank. Citibank has collected fewer accounts than Chase National since it opened last year, but as a Cairo branch office of Citibank, its manager Mr. Jack Goodridge has his eye on the Arab business from Saudi Arabia and the Gulf, by offering them facilities within Egypt and outside exchange control.

Mr. Goodridge is one of the bankers in Cairo who has "got on with the job" even when some aspects of Egypt's fast developing banking regulations banks are financing a chunk of it. He explained: "We are consumer imports, banks like absolutely consistent with the Cairo. Barclays' International objectives of the authorities, and (an offshore venture of Barclays by opening a branch here we International and Banque du

## BANQUE DE L'INDOCHINE ET DE SUEZ

## INDOSUEZ

The French Bank with the most comprehensive network in the Middle East

## BRANCHES:

SAUDI ARABIA	Alkhabar	Princes Nasser Street. Tel: Indosuez SJ 87033
	Djeddah	King Abdulaziz Street. Tel: Indosuez SJ 40184
UNITED ARAB EMIRATES	Dubai	Bin Yas Street. Tel: 23391 Indosuez DB 9880
	Sharjah	Zahra Square
YEMEN ARAB REPUBLIC	Tai	Al Mugamma St. Tel: Indosuez
	Hodeidah	
BAHRAIN	Manamah	Offshore Banking Unit

† Branches to be opened in the near future  
SUBSIDIARY AND AFFILIATED BANKS AND FINANCIAL COMPANIES

LEBANON	BANQUE FRANCAISE POUR LE MOYEN ORIENT (B.F.M.O.)	Beirut
	BANQUE LIBANO-FRANCAISE	Beirut
	BANQUE SABBAG	Beirut
KUWAIT	ARAB FINANCIAL CONSULTANTS COMPANY (A.F.C.C.)	Kuwait
IRAN	BANQUE ETEBARATE IRAN	Tehran
TURKEY	ULUSLARARASI ENDUSTRI VE TICARET BANKASI (International Bank for Commerce and Industry) "UTEBANK"	Istanbul

## HEAD OFFICE:

96 Boulevard Haussmann - Tel: 266.20.20

## CENTRAL OFFICES:

44 rue de Courcelles, Paris 8ème - Tel: 766.52

BRANCHES AND CORRESPONDENTS ALL OVER THE WORLD

## OUR NAME:

The Bank of Iran and the Middle East



## OUR MARKET:

Iran

There's a little more than meets the eye in our name. The Bank of Iran and the Middle East.

Associated with The British Bank of the Middle East, a member of The Hongkong Bank Group, we offer a specialised bank service, not only in the Middle East but also world-wide total banking facility wherever your interests lie.

For further information on how we can help you, contact any branch of The Bank of Iran and the Middle East.

Head Office: Ferdowsi Avenue, Kucheh Berlin, P.O. 1680, Tehran, Iran. Cable: IRANMIDEST. Tel: 314355/9. Telex: 212656 EAST IR.

Tehran Branches: Bazaar, Shah Reza Ave., Pahlavi Ave., Tahjehshid, Shah Ave., Fakhri Ave., Gadir K. Zand, Tahkete Tavous, Tahkete Mow, Cy the Great, Baghe Saba.

Provincial Branches: Isfahan, Khorramshahr, Ahwaz, Abadan (2).

CONTINUED ON NEXT PAGE

**WHAT MAKES US A BIG BANK IS OUR INTERNATIONAL EXPERIENCE**

**THE GULF BANK K.S.C.**

HEAD OFFICE: ABDULLAH AL SALEM STREET, KUWAIT  
Telephone: 422076 (10 Lines)  
Cable: GULFBANK, Kuwait. P.O. Box: 3200 - Telex 2001-2015

WITH FOURTEEN BRANCHES THROUGHOUT THE COUNTRY  
European Representative's Office: 82, Lombard Street, LONDON EC3V 4QQ  
Telex: 887688 - Tel: 01-623-7426

ASSOCIATES - UNITED BANK OF KUWAIT - LONDON -  
BANK OF SAUDI ARABIA - KUWAIT, SAUDI ARABIA  
BANQUE ARABE ET INTERNATIONALE D'INVESTISSEMENT, PARIS  
BANK OF OMAN, SAUDI ARABIA, MUSCAT  
COMPAGNIE ARABE ET INTERNATIONALE D'INVESTISSEMENT, LUXEMBOURG  
KUWAIT INDUSTRIAL DEVELOPMENT BANK, KUWAIT

# Why have ten of the world's greatest banks backed Iranvest?

Investing in Iran can be a complex business.

In a country expanding so rapidly it is virtually impossible for the outside investor to keep pace with the important details of developments.

Additionally the investor must be fully conversant with Iran's financial legislation, designed to guarantee the long-term stability of the country.

For all of these reasons eight of the world's greatest banks joined forces with two major Iranian banks—Bank Melli Iran and Industrial and Mining Development Bank of Iran—to form IRANVEST (Iran Overseas Investment Bank Limited).



Iranvest's specialist knowledge—both of Iran and of international finance—may be of interest to you. Why not find out more?

**Iran Overseas Investment Bank Limited (Iranvest)**

Shareholders: Bank Melli Iran · Industrial and Mining Development Bank of Iran  
Barclays Bank International Limited · Midland Bank Limited  
Deutsche Bank AG · Société Générale · Bank of America NT & SA  
Manufacturers Hanover International Banking Corporation  
Bank of Tokyo Limited · Industrial Bank of Japan Limited  
Iran Overseas Investment Bank Limited,  
120 Moorgate, London EC2M 6TS. Telephone: 01-638 4831.

# MIDDLE EAST BANKING AND FINANCE V

## LEBANON

# Beirut eclipsed by civil war

SYRIA'S mediation going badly awry, one of the reasons for Beirut's decline as a financial centre and its chances of recovering from the damage suffered during the civil conflict. Like the rest of the country, Lebanese banking seemed peculiarly immune to the effects of the war. Yet it managed to survive a number of crises, internal and external. Now it can tell what the prospects of recovery are.

On this more stable basis the recovery after the June War of 1967 was steady to the point that deposits in Lebanese banks passed the pre-Intra crash level in 1969. From the beginning of 1970 to the end of July 1975, when there had been no reduction in the gross total, they increased from \$1.4bn. to over \$1.8bn. It was a period which saw the foreign banks and those with an overseas shareholding become more and more predominant—despite the efforts of the Central Bank to freeze the trend to the point of instructing the larger operators to keep the level of their deposits down. At the end of 1974 18 wholly-owned branches of foreign banks accounted for 38 per cent of total assets and 24 with majority participation by overseas interest another 39 per cent. The post-Intra phase saw a progressive foreign takeover of the system.

Impressive though the clamour for a stake in Beirut was and also the overall increase in business up to the civil war, the Lebanon did not become in a significant way either a provider of funds for the capital-hungry outside the Arab world or a magnet for the surplus money of the oil-rich Gulf. Its internal development was restricted by the lack of a secondary market, the absence of negotiable debt instruments and limited scope for rediscounting paper, which was not helped by the reluctance of the Parliament to allow the Government to issue more Treasury bills. A little progress was made, however, towards the provision of longer-term credit with the establishment of the Industrial and Tourism Development Bank with a 60 per cent majority State participation. There also emerged merchant banking ventures like the Bank of Investment and Finance (BIF) and the Arab Finance Corporation, both of them consortia between Lebanese and foreign interests.

As it was, the greatly swollen petroleum revenues at the disposal of the producer governments—a large and growing proportion of the total by-passed Lebanon. From this point of view, certainly, it was difficult to see the justification for the clamour from international banks to get a foothold in the Lebanon by buying into small locally-owned banks. It gave them no automatic entrée to the rich Arab hinterland.

Despite its limitations, the banking system could claim to be the most sophisticated and advanced in the Arab world. It is now impossible to assess the damage except in terms of the physical destruction suffered—most dramatically by the British Bank of the Middle East (estimated cost \$7m.) which also had its vaults plundered. Most had headquarters on Riad Solh Street in the downtown area that was the scene of the heaviest fighting and were forced to close for nearly half of the past year.

When after the banks opened on February 15—before being forced to shut their doors again this month—the system emerged paralysed with the banks able to do little more than accept deposits and pay checks on current account. The problem of loans, credits and overdrafts was left to individual banks on the basis of mutual understanding. But many businesses—especially those whose premises were destroyed—were patently unable to pay their debts, let alone interest charges.

Whenever the banks reopened during the past six months it was only to pay checks and arrange transfers which normally amounted to more than they took in deposits. Up to the time of the last ceasefire in January an estimated \$1.7bn. was withdrawn, \$1.9bn. for transfer abroad. By injecting into the system foreign currency, mainly dollars, from its ample foreign exchange reserves, the Central Bank was able to keep the Lebanese pound at a parity of 2.42 to the \$. In doing so, it was helped by the big inflow of funds transferred by such countries as Iraq and Libya to assist the combatants.

With the last resumption of business on February 12 the Central Bank waived the liquidity ratio requirement (8 per cent of total deposits) and opened its discount window for banks' commercial paper in anticipation of heavy demand.

About four weeks later additional withdrawals totalled \$1.8bn., according to Dr. Elias Saba, ex-Finance Minister and now presidential adviser. He estimated half would return within two months. Not surprisingly, some foreign bankers reported an unusual run on deposits by non-resident account holders.

Before the latest crisis the Government had already made efforts to salvage the situation. Revealing details of its reconstruction programme, it let it be known banks which suffered damage would qualify for cheap loans at 2-3 per cent. over a 10 to 20 year period. It was also considering extending tax exemptions to beyond the seven-year period allowed at present.

Over a dozen foreign-controlled banks have moved their staff to other centres such as Athens, Bahrain, Cairo and Amman. Nearly all the several scores of senior executives who manned representative offices in Beirut and found it such a convenient centre to do business throughout the region have left. At least three Lebanese banks (Credit Libanais, Banque du Liban and d'Outre Mer and Banque Liban-Francaise) have applied for permission to set up branches in Paris where so many rich Lebanese have taken up residence and bought property. It is hard to see how banking in Lebanon can ever be the same again.



## National Bank of Abu Dhabi

The leading bank in one of the richest countries in the world offers a complete worldwide banking service

We have... the facilities and ability to expand as rapidly as the economic growth of the United Arab Emirates. ... the knowledge and experience to cope with growing foreign interest in our oil industry. AND as a bank that's involved with multi-million oil transactions, you can count on us for expert advice and handling of your business.

Head Office: Sheikh Khalifa Street, Abu Dhabi.

Branches: Abu Dhabi: Sheikh Hamdan Street, New Souk, International Airport, Hilton Hotel. Al Ain; Dubai; Sharjah; Fujairah; Ras Al Khaimah; Khor Fakkan. Egypt: Cairo. Branches under foundation: Muscat, Oman; Bahrain; Khartoum.

Total assets at 31st December 1974 (subject to confirmation) approximately  
**UAEDh. 2,500,000,000.**

US \$1 = Dham 4 approximately

Postal address: PO Box No. 4, Abu Dhabi, United Arab Emirates. Cable address: ALMASRAFA, ABU DHABI. Telex: AH2266 and 2267.

## Your experienced German banking partner for the Middle East

Bayerische Vereinsbank, one of Germany's major banks with extensive international activities.

Consolidated balance sheet total of the BV Group DM 49 billion.

The Bank enjoys close contacts with the Middle East since 1958. Its representative office in Tehran is especially valuable.

Close cooperation with UBAF partners (Union de Banques Arabes et Francaises) through our participation in UBAE (Union de Banques Arabes et Europeennes).

### Our services include:

Advice and guidance in the fields of imports/exports, joint ventures, acquisitions and major capital investments; a full service in international finance and transfer of funds, for instance in New York and Luxembourg, via our wholly-owned subsidiary Bayerische Vereinsbank International S.A., Luxembourg and our branches in New York, Chicago and Los Angeles which trade under the name of UNION BANK OF BAVARIA.

### For additional information contact:

Bayerische Vereinsbank Representative Office for the Middle East  
Mr. Hans Schiller  
Zahed Street 38, P.O. Box 2437  
Tehran/Iran,  
Telephone: 662955

Bayerische Vereinsbank International S.A.  
17, rue des Bains, Luxembourg  
Telephone: 428611,  
Telex: 2652

UNION BANK OF BAVARIA  
"Bayerische Vereinsbank"  
New York Branch  
430 Park Avenue,  
New York, N.Y. 10022  
Telephone: (212) 758-4664,  
Telex: 628550

Bayerische Vereinsbank, AKB,  
Mr. Schmid-Lossberg  
Kardinal-Faulhaber-Strasse 1  
D-8000 München 2,  
Telephone: (089) 2132 5174,  
Telex: 523321



**BAYERISCHE VEREINSBANK**

## Egypt

CONTINUED FROM PREVIOUS PAGE

foreign exchange only) and bankers like the Renault and Egyptian companies and a host of their eyes on project are finding it slow

projects and foreign in Egypt are bogged down by the slow pace of the National Bank

last, a branch office had last summer for business only, whose

total comes from deposits of \$25,000 to finance for the import

goods, than for that to get investments off the ground.

banking animal and distinctly quiet is the branch. Permitted to

mount capital with its outside Egypt in es. Manufacturers

Trust's experience as adequately how a piece can get tangled reaucratic machine.

all set to go on April at in the changeover Regasi Cabinet, the licence was by the new incumbent Wadie Hanna of the

ova Scotia feels his ink has set up before an economy and cons can handle their

ance the foreign tax and employment given to the foreign, eeping changes were o the domestic bank-

ing system in July 1975. Egyptian banks were permitted to introduce pay incentives and get exemption from laws governing employment in the public and government sector. This was an effort to stop a possible drain of the country's best middle level bank workers to the foreign sector.

### Abolished

At the same time a ministerial decree abolished the three-year-old specialisation system under which Egypt's Big Four handled one aspect each of the economy. (National Bank: foreign bank; Bank Misr: agriculture; Banque du Caire: construction; Bank of Alexandria: industry.) The National Bank, Egypt's biggest, with profits of E£23.5m. in 1975 has lost its trade monopoly but still handles 85 per cent of all foreign trade. Bank competition is now open in textiles, foreign trade, agriculture and industry.

The former monopoly, and present dominance, in foreign trade has alone been responsible for National Bank's soaring profits with turnover pushed up by the increase in commodity prices.

The introduction of competition into the domestic banking system however will take many years to streamline the local banks, and they cannot compete in efficiency with foreign banks in day-to-day foreign transactions.

But the local banks have a fresh outlet for their under-used expertise developed in Egyptian banking through the joint venture banks. Chase National has been mentioned. Soon to open for business should be Bank Misr's venture with First National Bank of Chicago. Banco di Roma and UBAF which like Chase National will handle hard venture with American Express International.

Savings through the domestic banks are hampered—and joint ventures operate on local regulations—by Egypt's low interest rates recently raised to a maximum of 7.5 per cent. on lending and a maximum 5 per cent. on deposits.

Another debate focuses on convertibility of the Egyptian pound. A floating pound is opposed by those who fear a plunge to less than half the pound's official value while inelastic trade patterns would deny Egypt the chance of taking advantage with boosted exports. Those in favour say the pound should float to break down the barriers of the complicated exchange system. They say that this would facilitate the inflow of foreign investment. Some bankers believe the incentive rate (Egypt's tourist or incentive exchange rate was recently raised from the official rate—39 piastres a dollar—with a 50 per cent. premium to official plus 65 per cent. or 63.5 piastres) should be floated and exchange control abolished to encourage free flow

in and out of foreign currencies. The incentive premium hike was an effort to boost the collateral market which had been seriously eroded by the free black market since trade regulations permitting the free private import of goods up to E£5,000 in value. It remains to be seen whether it will succeed or will push up the black rate from its present 73 piastres per dollar to 79 or 80.

The depth of Egypt's black market is a constant topic of speculation in banking circles, since it is germane to bankers' loan policy for local businessmen who must buy black while current exchange control is tight. Dr. Nazmi Abdel Hamid, of the Arab International Bank and a former governor of the Central Bank, believes the depth is exaggerated, and guesses that street circulation of hard currency has risen from an estimated \$2m. in 1971 to \$5m. to-day. Mr. Ramses Hanna, of the National Bank of Abu Dhabi and a former Egyptian National Bank man, however, maintains "judging by the inward flow I think at least \$10m. circulates in the hands of the Cairo public."

Meanwhile the discreet men pushing the dollar from bank to street to bank are a symbol of Egypt's current period of monetary transition and of a banking system adapting and developing amid new economic conditions.

Michael Tingay

# بنك الكويت الوطني ش.م.ك

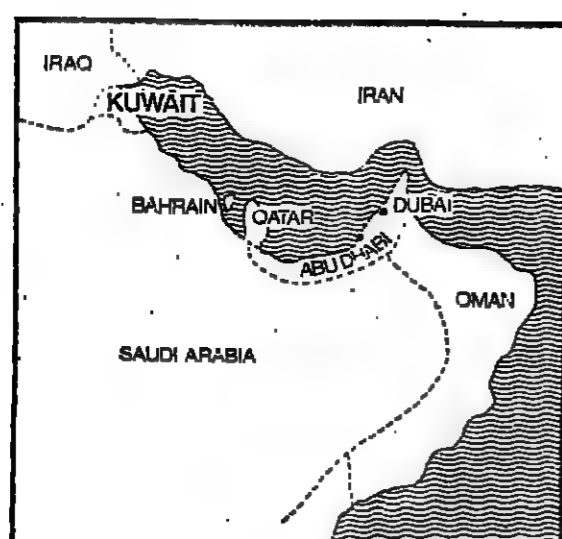
What does this mean?

It means ....

**THE NATIONAL BANK OF KUWAIT S.A.K.**  
The Bank that grows with the Gulf.

Established in 1952—the first Kuwaiti Bank. Today we are still the 'first' bank in Kuwait and in the Gulf for that matter. Look at the end of 1975 figures:

Capital and Reserves K.D.26.8 million  
Total Assets (as at 31.12.75) K.D.533.5 million



Our prominent position in the Kuwaiti and Gulf markets is emphasised both by our having the largest domestic branch network and our worldwide associate and correspondent bank relationships placing us in a unique position to advise you how to do business in the Gulf and how to co-ordinate the requirements of potential exporters, institutional investors, and joint ventures as well as contractual and financial services in the area.



**The National Bank of Kuwait**



The National Bank of Kuwait, S.A.K. Established 1952  
P.O. Box No. 95 Safat. Telex: National NKT 2043

**Your billion-dollar partner in the booming middle east.**

**Alahli Bank of Kuwait.**



Alahli Bank of Kuwait  
Kuwait-Arabia  
Authorized & Paid up Capital K.D. 2,500,000  
New Head Office  
Commercial Center 5 - P.O. Box 1387. Tel. 411101 to 411120  
Teleg Ahlibank Telex 2067

#### BRANCHES

Salmia	Salhia
Commercial Center No 9	University
Sharq	Sabah hospital
Shuwaikh	Ras Al-Salmia
Hawalli	Fahaeel

Correspondents all over the world.

**Alahli Bank of Kuwait (K.S.C.)**  
To serve you better in the middle east.

## MIDDLE EAST BANKING AND FINANCE

### KUWAIT

# Accumulating surplus wealth

WITH an oil income far beyond what it can absorb domestically, Kuwait goes on inexorably accumulating surplus wealth and growing as a financial force disproportionate to its size and population. The value of its public investment abroad nearly doubled over the past year, a year which saw the Ministry of Finance more active than ever in the purchase of bonds, equities and real estate. The State's own institutions have continued to expand both the size and the scope of their business, not least in leading and co-managing international bond issues. Kuwaiti private capital has gone on seeking profitable opportunities abroad, particularly in other Arab countries. But Kuwait remains a long way from developing into a fully-fledged capital market or a financial centre for the region as a whole, although some steps have been made in that direction.

Kuwait was one of the handful of OPEC members which could look with equanimity at the fall in demand for oil last year. Although its output fell by nearly 20 per cent. in 1975, and revenue by 11-12 per cent. —from \$8.2bn. to about \$7.3bn. —it was still able to record a surplus of over \$5bn. and transfer, after considerably increased aid disbursements, up to \$4bn. to the State's General Reserve. The value of the assets in this fund are now reckoned to be worth over \$12bn., four times the figure three years ago, quite apart from the gold and foreign exchange reserves held by the central bank. Income from the State's investment fund may now be running at a rate of \$1bn. or so annually, a very significant supplement to the oil revenue.

Another limitation on its development has been the lack of a secondary market, negotiable debt instruments or, even the means of raising medium- and long-term credit. Here a gap is now being filled by the Industrial Bank of Kuwait, which last year issued \$50m. of three-year bearer bonds with an interest rate of 8½ per cent. Well provided with \$100m. capital by the Government, the IBK did not need the money and floated the loan as a deliberate act of policy designed to assist the creation of a secondary bond market. The Central Bank assisted by declaring the bonds as a liquid asset of the commercial banks. With a 25 per cent. liquidity ratio imposed upon them, the banks

managed another 11 of \$252.5m. Of the \$1.5bn. involved in all these flotations \$151m., or a tenth, was in Arab currencies. In addition the Kuwait Financial Centre, has started in the bond business, concentrating on sales to private individuals, not the least members of the Ruling Family.

The shareholdings — and expertise — of these Western interests represent a small modification of the principle of keeping all economic and financial activity under exclusive Kuwaiti ownership. Recent agreements with other Arab States of the Gulf and Saudi Arabia giving reciprocal rights to own property and do business may ease the door open further. Confident in its greater sophistication, Kuwait sees in them a means of expanding its own activity rather than allowing competition in the State itself.

As it is, however, Kuwait watched with some unease Bahrain's offshore banking initiative, fearing that it might have missed out in some way. The almost exclusive restrictions barring foreign institutions have been one major reason why Kuwait has not been able to develop into what could be regarded as a financial centre serving the region, let alone an international one. A great deal more liberalisation will be required if the State is to fulfil either aspiration.

Another limitation on its development has been the lack of a secondary market, negotiable debt instruments or, even the means of raising medium- and long-term credit. Here a gap is now being filled by the Industrial Bank of Kuwait, which last year issued \$50m. of three-year bearer bonds with an interest rate of 8½ per cent. Well provided with \$100m. capital by the Government, the IBK did not need the money and floated the loan as a deliberate act of policy designed to assist the creation of a secondary bond market. The Central Bank assisted by declaring the bonds as a liquid asset of the commercial banks. With a 25 per cent. liquidity ratio imposed upon them, the banks

### Foreign

Counted in the General Reserve are the State's shareholdings in local companies, but the bulk of the funds are foreign assets, which a year ago were valued at 1.87bn. Kuwaiti dinars, or \$6.31bn. In the past 12 months the total foreign investment has increased very substantially both as a result of appreciation and new purchases. Included among the assets handled by the Ministry of Finance are subscriptions and loans to the World Bank and the International Monetary Fund, the Kuwaiti dinar bonds issued a few years ago, contributions to development banks and funds, and the paid-up capital of the Kuwait Fund for Arab Economic Development, which amounted to \$1.35bn. at the end of January. However, bonds, equities and real estate have probably risen appreciably as a proportion of the total.

There has been no single transaction to compare with the purchase of a stake in Daimler-Benz in 1974, but Kuwait has nevertheless been steadily building up its ownership of Western equities. In addition to eight existing portfolios, four new ones have been started in the past year or so in France, Belgium, and the Netherlands by major banks and in Japan by the biggest securities company there. A holding in many companies is understood to have been acquired as the result of direct negotiation rather than on the market — including shares of 10 per cent. or more in British companies, which has not been publicised. In real estate, again, there has been no single deal like the takeover of St. Martin's Property Corporation, but in this area of investment, too, Kuwait has been extending its ownership, especially in the U.S., where it has portfolios managed by the Bank of America and Morgan Guaranty.

Probably the biggest expansion of all has been in the State's holdings of bonds in response to higher rates of interest. No precise figures for placements by the State are available. However, some indication of the scale of purchases can be gleaned from the issues in which Kuwaiti institutions have been leaders or co-managers. They have been the channel favoured for purchases by the Ministry of Finance, which has in this way been able to benefit the companies concerned.

Foremost among them in 1975 was the Kuwait Investment Company which led eight issues worth \$320m. (including five publicised private placements of \$235m.) and co-managed another 14 with a total value of \$341m. The Kuwait International Investment Company (privately owned) followed, taking the lead with eight issues worth \$119m. and co-managing another 13 valued at the \$328m. The Kuwait Foreign Trading Contracting and Investment Company (80 per cent. State owned) led four issues of \$79m. and co-

managed another 11 of \$252.5m. Of the \$1.5bn. involved in all these flotations \$151m., or a tenth, was in Arab currencies. In addition the Kuwait Financial Centre, has started in the bond business, concentrating on sales to private individuals, not the least members of the Ruling Family.

were pleased to take up over one-third of the issue. The operation proved very successful with trade in the bonds having reached about KD1.5m. early last month. Having only started its lending operation last year, the IBK is planning more bond issues.

The shareholdings — and expertise — of these Western interests represent a small modification of the principle of keeping all economic and financial activity under exclusive Kuwaiti ownership. Recent agreements with other Arab States of the Gulf and Saudi Arabia giving reciprocal rights to own property and do business may ease the door open further. Confident in its greater sophistication, Kuwait sees in them a means of expanding its own activity rather than allowing competition in the State itself.

As it is, however, Kuwait watched with some unease Bahrain's offshore banking initiative, fearing that it might have missed out in some way. The almost exclusive restrictions barring foreign institutions have been one major reason why Kuwait has not been able to develop into what could be regarded as a financial centre serving the region, let alone an international one. A great deal more liberalisation will be required if the State is to fulfil either aspiration.

Another limitation on its development has been the lack of a secondary market, negotiable debt instruments or, even the means of raising medium- and long-term credit. Here a gap is now being filled by the Industrial Bank of Kuwait, which last year issued \$50m. of three-year bearer bonds with an interest rate of 8½ per cent. Well provided with \$100m. capital by the Government, the IBK did not need the money and floated the loan as a deliberate act of policy designed to assist the creation of a secondary bond market. The Central Bank assisted by declaring the bonds as a liquid asset of the commercial banks. With a 25 per cent. liquidity ratio imposed upon them, the banks

managed another 11 of \$252.5m. Of the \$1.5bn. involved in all these flotations \$151m., or a tenth, was in Arab currencies. In addition the Kuwait Financial Centre, has started in the bond business, concentrating on sales to private individuals, not the least members of the Ruling Family.

were pleased to take up over one-third of the issue. The operation proved very successful with trade in the bonds having reached about KD1.5m. early last month. Having only started its lending operation last year, the IBK is planning more bond issues.

The shareholdings — and expertise — of these Western interests represent a small modification of the principle of keeping all economic and financial activity under exclusive Kuwaiti ownership. Recent agreements with other Arab States of the Gulf and Saudi Arabia giving reciprocal rights to own property and do business may ease the door open further. Confident in its greater sophistication, Kuwait sees in them a means of expanding its own activity rather than allowing competition in the State itself.

As it is, however, Kuwait watched with some unease Bahrain's offshore banking initiative, fearing that it might have missed out in some way. The almost exclusive restrictions barring foreign institutions have been one major reason why Kuwait has not been able to develop into what could be regarded as a financial centre serving the region, let alone an international one. A great deal more liberalisation will be required if the State is to fulfil either aspiration.

### Maximum

Longer-term lending is constrained by the 7 per cent. legal maximum interest rate rigidly imposed by the National Assembly, which has defeated Government attempts since 1972 to abolish it. With deposit rates bumping up against the ceiling the limit is in practice exceeded through the charging of commissions and administrative fees. As Mr. Hamzah Abbas Hussein, Governor of the Central Bank, points out, it also has the effect of putting pressure on liquidity when interest rates obtainable on the Euro-currency markets are high. In this situation the five commercial banks feel squeezed by the required liquidity ratio of 25 per cent. of deposits, a quarter of which has to be kept in Kuwaiti dinars.

They remain large holders of foreign assets, which totalled \$555.1m. (nearly \$2bn.) last November, but this was only a 1 per cent. rise on the \$561.4m. recorded at the end of 1974. In the same period outstanding credit to the private sector increased by 26 per cent. from \$355.3m. to \$449.8m., reflecting the booming economic activity in the State itself. Short-term loans and dinar deposits with a limited average maturity of only 2-3 months have been the recent rule.

The National Bank of Kuwait, the Bank of Kuwait and the Middle East, the Commercial Bank of Kuwait, the Gulf Bank and the Al Ahli Bank have all prospered and their shares have been highly valued. The limit set by the Government to the number of houses operating in this rich market has helped to ensure good profits. Recently the State has taken the initiative in the formation of a sixth, the Bank Burgan, and has also

managed another 11 of \$252.5m. Of the \$1.5bn. involved in all these flotations \$151m., or a tenth, was in Arab currencies. In addition the Kuwait Financial Centre, has started in the bond business, concentrating on sales to private individuals, not the least members of the Ruling Family.

were pleased to take up over one-third of the issue. The operation proved very successful with trade in the bonds having reached about KD1.5m. early last month. Having only started its lending operation last year, the IBK is planning more bond issues.

The shareholdings — and expertise — of these Western interests represent a small modification of the principle of keeping all economic and financial activity under exclusive Kuwaiti ownership. Recent agreements with other Arab States of the Gulf and Saudi Arabia giving reciprocal rights to own property and do business may ease the door open further. Confident in its greater sophistication, Kuwait sees in them a means of expanding its own activity rather than allowing competition in the State itself.

As it is, however, Kuwait watched with some unease Bahrain's offshore banking initiative, fearing that it might have missed out in some way. The almost exclusive restrictions barring foreign institutions have been one major reason why Kuwait has not been able to develop into what could be regarded as a financial centre serving the region, let alone an international one. A great deal more liberalisation will be required if the State is to fulfil either aspiration.

### IRAN

**Hectic growth comes to an end**

OVER a 12-month period the Iranian economy has swung sharply from hectic growth to sudden and in some instances harsh restraint. The banking system has had to bear much of the strain — first of high growth, then the slow-down which began to be felt in October. The banks have had to cope with a tremendous surge in the demand for credit, the problems created by congested ports and severe price control, and latterly of literally hundreds of medium and large companies whose bills with the Government were blocked from October through to February.

The banking system has emerged, perhaps chastened, but certainly wiser for the experience. The main problems for strengthening the system have been identified — the need to improve the inter-bank market, create good communications both internally and externally, and raise the level of middle management. The hope is that, with a more even growth in the economy of 17 per cent. over the coming year, the system will be able to settle down to solve these problems which will pave the way for Tehran becoming a fully fledged financial centre.

Normally the first part of the year is a slack period, with credit demand and budget spending picking up after the first quarter and the main impact felt in the last quarter — from January to March, the Iranian year ending on March 21. But in 1975-76 this pattern was upset. In the first quarter Government spending was up 208 per cent. on the same period the previous year. The demand for credit by the private sector was such that 40 per cent. of the entire year's increase allocated by the Central Bank had been used up. In previous years it was no more than 19 per cent. had been utilised during this period. Some banks had even used up virtually their entire year's credit allocations. To secure extra funds the banks began

looking abroad for short-term borrowing. In mid-July the Central Bank stepped in with a series of measures to absorb excess liquidity and curb short term borrowing abroad by the commercial banks. To discourage a rush of short-term borrowing abroad by the commercial banks the ratio of their obligatory deposits placed with the Central Bank on such borrowings was raised from 15 per cent. to 30 per cent. However, the authorities deliberately exempted the specialised institutions such as the Industrial Credit Bank and the Industrial and Mining Development Bank, permitting them to go to the international market for long-term finance.

The 30 per cent. deposit requirement for commercial banks did put an effective stop on their short-term borrowing, and, given the current economic climate, it seems the authorities are unlikely to lift this for the moment. In effect it means that the bulk of the foreign borrowing will now be done by the specialised institutions. The Industrial Credit Bank, the main foreign borrower over the past two months, has an approved foreign borrowing programme of \$390m.

Overall the budget anticipates a foreign borrowing requirement of \$1.1bn. But informed banking sources estimate that this will be nearer \$1.6bn. However, it is still too early to speculate how oil revenues will evolve and indeed how development projects will go ahead. For instance, it was widely thought that one of the principal borrowing requirements in the financial year just ended would be some \$800m. for a joint Iran-Japanese petrochemical complex. But this never materialised and the project seems unlikely to get off the ground in the coming year. As it was, Iran's borrowings in 1975 were only \$313m. To absorb excess liquidity the minimum reserve requirement on the increase in demand

and savings deposits placed with the Central Bank raised in July from 12½ to 15 per cent. At the time the ratio of deposits which the bank obliged to invest in government bonds was raised from 1 per cent. to 10 per cent., thus preventing commercial banks from having to supply all funds to the private sector making available more for medium-term investment. The Central Bank was thus obliged to permit a small increase in lending to commercial banks to the sector. Originally the limit had been fixed at 35 per cent. or 280bn. rials (\$3.7bn.) the ceiling was raised to rials 300bn. Although figures for the year March 21 are not yet available, it is provisionally estimated that total credit extended to the private sector will be 360bn. (\$5.1bn.). This that the Central Bank, even further to demands commercial banks to their credit.

Traditionally the commercial banks have supplied over 90 per cent. of all the banking credit. This predominance being slowly reversed growing role of the specialised banks such as the Agricultural Bank and the Industrial Bank. This is partly because commercial banks are neither positioned to provide long-term finance nor are they will do so, and partly because Government policy to specific instruments for trial and agricultural Credit by the specialised banks has grown in three years a mere IR 25bn. to rials 110bn.

On the deposits side was a healthy increase, virtually in parallel with demand for credit. Deposits rose 43 per cent. to IR33bn., savings deposits rose 44 per cent. to IR 44 per cent. and time deposits rose 45 per cent. to IR 44 per cent. Continued on Next Page

## MIDDLE EAST BANKING AND FINANCE VII

## ALGERIA

## Foreign debt rises

1976 Algerian Budget fore-  
cast oil revenue of 15bn.  
dinars (about \$2bn.)  
amounts to 62.5 per cent.  
of revenue. This is based  
on a selling price of \$13.36 a  
barrel, although current selling  
price is between \$12.70 and  
\$13.00. Oil production is ex-  
pected to be slightly more than  
42.6m. tons, probably  
44m. tons. SONA-  
gaz, the Algerian National  
Gas Company, says all  
gas is available for export for 1976  
and is either sold or ear-  
ned, optionally, for an OPEC  
share. Algeria has no surplus  
of gas; on the contrary, the  
balance deficit is esti-  
mated at either \$500m. (IMF  
figure) or over \$1bn. by  
independent observers in Wash-  
ington. Algeria has con-  
siderable debts to pay for  
industrialisation programme,

which is proceeding slowly.  
Overall foreign debt is about  
\$3.5bn., five times more than it  
was in 1971. Foreign Exchange  
reserves held by the Algerian  
Central Bank are around \$500m.  
—mostly in dollars and D-marks.  
Oil accounts for more than  
one-third of Algerian gross  
domestic product and nearly 80  
per cent. of its foreign exchange  
earnings.

Algeria has been a motor  
force behind the North-South  
dialogue between developed and  
developing countries and Presi-  
dent Boumedienne was an early  
and outspoken advocate of a  
"new world economic order"  
whereby developing countries  
get a greater share of the  
world's wealth.

Algeria also has urged OPEC  
to consider projects that would  
make it less dependent on  
Western Finance and Western  
economies. It is in favour of  
an Arab bank and possibly of

trying to detach oil prices from  
the U.S. dollar in order to  
measure them against a general  
"basket" which would take  
inflation into account. It is an  
Algerian thesis that Western  
monetary disorder is primarily  
paid for by Arab and develop-  
ing countries and that OPEC  
should try to achieve more  
financial autonomy. This is  
directly contrary to the Gulf  
States' policy of placing their  
surplus in Western countries in  
order to carry more weight in  
world finance and monetary  
policies.

SONATRACH plans to  
increase its exports of refined  
products. Algerian refining  
capacity is now 5.6m. tons from  
four refineries. Four more  
refineries are under construc-  
tion or in the advanced planning  
stage. The goal is to exceed  
25m. tons of refined products  
by the 1980s, with most of this  
being exported. Condensate  
exports will also increase when  
new gas treatment facilities at  
Hassi R'Mel come on stream in  
1977. None of this, when and  
if achieved, will provide Algeria  
with any surplus revenue since  
it will all be spent on industri-  
alisation or agricultural develop-  
ment projects, food imports,  
debt servicing and repayment.  
However, it represents hopeful  
future revenue sources.

True to its position as the  
"maverick" in the OPEC herd,  
Algeria is an aid receiver rather  
than distributor. The United  
Nations has financed some  
Algerian agricultural projects  
and both Saudi Arabia and  
Kuwait, have assisted Algeria  
with sizeable, low interest loans.  
However, the latter sources may  
have dried up, for political  
reasons. Saudi Arabia, fearing  
an extension of socialism in the  
Arab world, is backing the  
Moroccan takeover of the  
Spanish Sahara and disapproves  
of Algerian support for the  
Saharan Arab Democratic  
Republic. Kuwait is likely to  
line up with Saudi Arabia and  
Algeria will have to turn to

Western sources and pay a  
higher interest for loans needed  
this year.

Algeria does want to attract  
investment from industrialised  
States, but these have to con-  
form to Algerian law. Com-  
panies investing in Algerian  
industry such as the oil and  
gas industry and peripheral  
manifestations like plastics,  
fertilisers, etc., are limited to  
a maximum 49 per cent. stake  
in a joint company. A number  
of foreign firms are operating  
in this way in Algeria and, after  
a difficult start, most seem to  
find it sufficiently profitable to  
stay.

## Credit

Algerian banks are all  
nationalised. The Central Bank  
is the issuing institution, con-  
trols credit and banking opera-  
tions and has the monopoly of  
managing Algerian foreign  
assets. Three other banks, the  
Foreign Exchange Bank of  
Algeria, the National Bank of  
Algeria and the Popular Credit  
Bank of Algeria cover all  
commercial banking operations,  
take deposits and provide  
financing and credit for invest-  
ment. The Algerian Develop-  
ment Bank is the co-ordinating  
centre for financing public  
enterprises, disposes of capital  
made available by the public  
treasury and may draw on loans  
from foreign governments and  
other sources. Banking in  
Algeria is subordinate to  
Algerian Government policy.  
Algeria has closer and more  
important connections with  
American banks than with the  
City of London. As a former  
French colony, the first years  
of Algerian independence were  
dominated by French financial  
interests but Algeria is turning  
more and more to the U.S., the  
Ex-Im. Bank, as well as a  
number of American private  
banks, have loaned money to  
the Algerian Government and  
to national companies. Algeria

is presently seeking a \$400m.  
loan from the Bank of America.  
Again, as far as industrial  
ventures are concerned, Algeria  
is the opposite of other OPEC  
countries. All important indus-  
tries are nationalised in Algeria  
and run by the State. This in-  
cludes banking, insurance, trans-  
port (air, road and rail) metal  
industries and mining, oil (every  
aspect up to retail supply) gas,  
electricity, telephones, nearly  
all food processing, truck and in-  
dustrial vehicle assembly. Na-  
tionalised companies also pro-  
duce large quantities of cloth,  
shoes, pig iron and steel, freight  
cars, chemicals, electrical pro-  
ducts etc. The private sector is  
limited to small operations,  
mainly in textiles and consumer  
goods.

Algeria still has a good rating  
in the world credit market, but  
there is clear evidence of a de-  
clining trend.

Because oil prices have  
dropped below 1974 expecta-  
tions and there has been no in-  
crease in oil production, Al-  
gerian oil revenues have been  
lower than projections. On the  
debit side expenses have in-  
creased sharply. Because of  
both unsatisfactory agricultural  
production and a 3.5 per cent.  
demographic rate, one of the  
world's highest, Algerian food  
imports are rising and the cost  
of these and the capital goods  
Algeria imports for its indus-  
trialisation programme has also  
gone up rapidly, resulting in a  
balance of trade deficit of be-  
tween \$500m. and \$1bn.  
This of course means that  
Algeria must seek financing on  
all capital import purchases. As  
the level of borrowing mounts,  
following the development plan,  
leaders become more reticent.  
The prospects are, then, stable  
or slowly increasing, earnings  
from oil and gas over the next  
years confronting sharply in-  
creasing expenditure, already in  
excess of earnings.

Eirene Furness

BANK SADERAT  
IRAN

## Head Office

124 SHAH AVENUE,  
TEHRAN, IRAN

Capital Paid Up Rls. 6,000,000,000

Deposits exceed Rls. 170,000,000,000

Offers comprehensive facilities for handling  
Banking Services through a network of

● Over 3,000 Branches in Iran

● Overseas Branches in LONDON,  
PARIS, HAMBURG, BEIRUT, DUBAI,  
ABU DHABI, AL-AIN, DOHA,  
BAHRAIN, RAS-ALKHAIMAH,  
FUJAIRAH, SHARJAH and UMM-  
ALQUWAIN

● Agency in New York

● Correspondents all over the world

## London Branch:

Plantation House, Fenchurch Street,  
London, EC3M 3DXTelephone: 01-283 5854 Telex (Gen.) 885119  
01-623 3747 (Forex.) 883217

## Iran

CONTINUED FROM PREVIOUS PAGE

cent. to IR113bn. This rise  
occurred even though interest  
rates have been kept low—7  
per cent. for savings deposits  
and 9 per cent. for time  
deposits. However, the picture  
is an uneven one because so  
much business is concentrated  
in the hands of a few banks.  
There are the so-called big five  
commercial banks—Bank Melli,  
Bank Saderat, Bank of Tehran,  
Bank Sepah and Bank Ommran.  
Between them these five banks  
account for something like 75  
per cent. of total customer  
deposits.

The picture is even more lop-  
sided when one realises that  
Bank Melli and Bank Saderat  
between them have 4,500 of the  
7,500 bank branches throughout  
the country. With such a strong  
deposit base concentrated in so

few hands the 18 other commer-  
cial banks often find themselves  
short of cash, a shortage accen-  
tuated by the relatively un-  
evolved inter bank market.

A new problem which all the  
commercial banks had to face in  
the latter part of the year was  
over import financing. This  
traditionally has been a major  
part of bank business. Import  
credits have usually been  
financed on a three to six  
months basis. However, with  
the congestion in the ports and  
waiting times of up to 120 days,  
importers were late in repay-  
ment. Thus the banks had to  
turn to the Central Bank to  
supply considerable sums of  
bridging finance. With the  
downturn in imports in 1976  
end of the year and easing of  
port congestion this has now  
become less of a problem.

It is generally accepted that  
the commercial banks are still  
under-capitalised. Banks are  
permitted to lend up to 15 times  
their capital. As a result of  
a series of capital increases over  
the years all the banks now have  
a minimum capital of rials 2bn.  
(\$287m.). But even this is  
considered too low and the  
Central Bank envisages a fur-  
ther series of capital increases  
in the near future. This is  
also considered desirable in  
view of the Government's policy  
to spread share ownership.

At present 12 out of 32 banks  
have foreign shareholdings.  
Foreign ownership is limited to  
40 per cent., and there has been  
no indication that this will be  
reduced despite the law for  
wider share ownership that  
restricts foreign industrial  
ownership to 25 per cent. (and  
35 per cent. in the case of high  
technology). But it is doubt-  
ful whether more banks will  
be allowed to be established as  
even now, according to some  
Iranian bankers, the system is  
overbanked. The last commer-  
cial bank to be established was  
the International Bank of Iran  
—a venture between Chase (35  
per cent.) and the State-owned  
Industrial Credit Bank (22 per  
cent.) plus Iranian private  
shareholders. This was set up  
in September.

## Specialised

There have been some new  
specialised banks—the Irano-  
Arab Bank (65/35 Iranian/  
Arab) for trade in the Gulf,  
an Irano-Egyptian Bank for  
investment in Egypt, and three  
regional banks, the forerunners  
of a network to cover all the  
regions in the country to pro-  
vide low interest credits to  
agriculture and industry, plus  
limited commercial banking  
activity.

In addition, there are some  
40 representative offices of  
foreign banks. Last July atten-  
tion was drawn to the activities  
of these representative offices by

a Central Bank circular warning  
them against the practice of  
getting round restrictions on  
carrying out banking activity.  
This had been done by several  
representative offices—loans  
being arranged by them then  
bringing in people from say  
Bahrain or Beirut to "formally"  
negotiate and arrange loans.  
Citibank in particular was taken  
to task by the Central Bank for  
having an excessively large staff  
in relation to its representative  
function and, in fact, was  
ordered to cut its staff and  
employees from 25 to just three  
executive staff. These problems  
have all been sorted out but it  
did raise the issue of what pre-  
cisely a representative office  
should do.

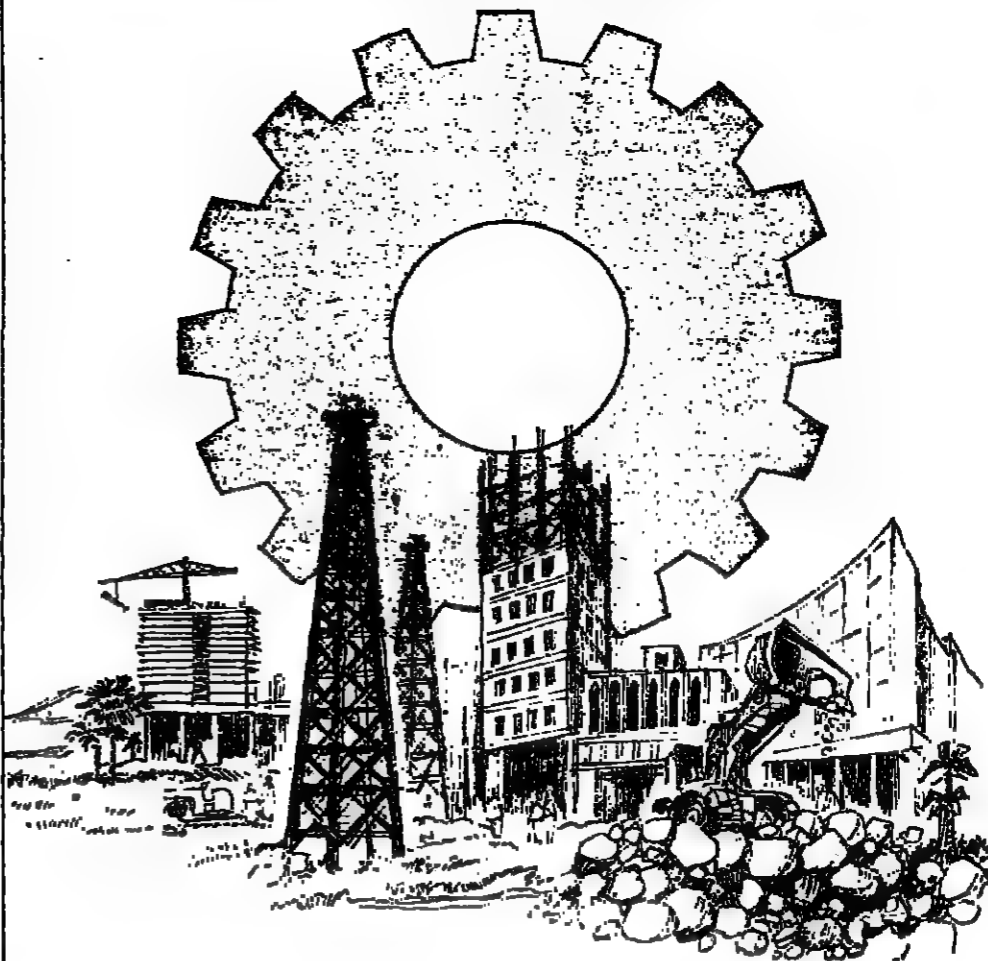
Although foreign bankers  
have shown great interest in  
establishing a base in Tehran,  
over the past few months they  
have come to realise that the  
Iranians are anxious to concen-  
trate first on developing their  
own institutions and strength-  
ening the existing system—to  
service the economy—rather  
than immediately aim to create  
an international financial  
centre as was originally con-  
sidered. This message came  
across clearly from two confer-  
ences held in Tehran with  
British bankers (in October)  
and American bankers (earlier  
this month).

At the height of the euphoria  
over the potential of Iran's oil  
surpluses in 1973/74 both  
Iranians and foreign bankers  
believed that Tehran could be  
made an important regional  
financial centre and capital  
market. But as the problems of  
digesting heavily increased in-  
vestment, coupled with the  
decline in oil revenues, became  
apparent, both parties began to  
adopt a more realistic attitude.

The City of London in con-  
junction with Iranian financial  
institutions has established  
four committees to examine  
ways of helping specific areas of  
Tehran's banking and financial  
institutions, with particular  
emphasis on training. The  
American conference, in lower  
key, went over much the same  
ground but this time the  
Iranians were able to benefit  
from the experience of the pre-  
vious British conference and  
the result was probably more  
useful to both sides.

In any event the fact that in  
both instances leading repre-  
sentatives of both the British  
and U.S. financial establish-  
ment agreed to come to Tehran  
to discuss its problems was  
highly significant. Nowhere else  
in the Middle East have there  
been such leading financial  
figures for a conference. This  
in itself demonstrates the im-  
portance which the inter-  
national banking community  
attaches to Iran and the de-  
velopment of its own financial in-  
stitutions.

Robert Graham

PROFIT FROM OUR  
EXPERIENCE

If you are considering the not only with specialist  
potentials of the Saudi financial knowledge but also  
Arabian Market, why not advise you on local  
benefit from our expe- business and social trends  
rience. We can help you and conditions.



## THE NATIONAL COMMERCIAL BANK

P. O. BOX : 3555 - CABLE : BANKSAUDI - TELEX : 10102 NCB FOREX  
JEDDAH — SAUDI ARABIABanque Etebarate Iran  
(Iranian Credit Bank)

Joint stock company established in 1958 with a  
registered capital of 1,500 million Rials fully paid

\* \* \*

WITH MORE THAN 600 CORRESPONDENTS ALL  
OVER THE WORLD AND 79 BRANCHES IN IRAN

\* \* \*

HANDLES EVERY TYPE OF BANKING INTERNATIONAL  
TRANSACTIONS AND PROVIDES A COMPREHENSIVE  
AND UP TO DATE SERVICE

Associated with the following French banks

Credit Lyonnais

Banque Nationale de Paris

Banque de l'Indochine et de Suez

Credit Industriel et Commercial

\* \* \*

Head Office: 50, Sevom Esfand Avenue—Tehran

Phone: 304231 to 304239

Telex: 212593 CRED IR + 215170 CRED IR

P.O.Box: 1639

Cable: Crediran

Drayton Montagu Portfolio  
Management Limited  
(D.M.P.M.)provides an international investment  
management servicefor  
INSTITUTIONAL FUNDS

and

acts as investment managers to the successful range of  
MIDLAND DRAYTON UNIT TRUSTS  
and advisers to a number of  
OFFSHORE FUNDSThrough Samuel Montagu's associate the  
ARAB TRUST COMPANY

in Kuwait

on-the-spot investment advice is available in the Middle East

For details contact:

Drayton Montagu Portfolio Management Limited

117 Old Broad Street London EC2N 1AL. Telephone: 01-588 1750  
The investment division of Samuel Montagu & Co. Limited.

or

Arab Trust Company K.S.C.

P.O. Box Safat 5865 Kuwait. Telephone: 442060/442061 Telex: Kuwait 2623

## MIDDLE EAST BANKING AND FINANCE VIII

## UNITED ARAB EMIRATES

## Major decisions to be taken

THE COMING year for the banking scene in the United Arab Emirates will perhaps be the most decisive ever, for its future direction will be shaped by two major forthcoming decisions. The first is whether to allow offshore banking in the UAE; the second is the progress and form that the Gulf monetary union takes.

The idea of allowing offshore banks to operate in the UAE has been circulating for some time, and though Bahrain made the running first, many observers believe that, if given the opportunity, many of those banks currently applying to Bahrain would opt for the greater potential of the UAE. It is

pointed out there that only five of the 27 banks granted licences for offshore business in Bahrain are actually operating.

Undoubtedly some of the banks in Bahrain are waiting to see which way Abu Dhabi will go, but the decision is not as straightforward as that. The whole question of offshore banking could become enmeshed in local Gulf politics, for the UAE Currency Board is actively pushing the idea of greater financial unity among the Gulf countries, and in particular the Gulf monetary union project. As Mr. Ronald Scott, managing director of the Board commented, "we do not want to seem to be

stealing this business from Bahrain." He would not say just how many banks might opt for the UAE, but said there were certainly "several waiting to see what happens." The grand political aspirations for Gulf unity have reached a decisive stage, for if the UAE decided to leave offshore banking to Bahrain, this would not please certain local rulers who stood to benefit from this kind of business coming to the Emirates. The two centres being mooted for possible offshore banking are Dubai and Sharjah—the latter is currently witnessing a banking boom owing to its tax-free policies. But, Mr. Scott added, the Board

might even decide against it.

The project for monetary union of the Gulf currencies seems to be progressing steadily, and at a recent meeting of officials of the four central banks involved, technical decisions were taken relating to the external exchange link, and to the currency unit. These decisions will remain secret for the time being to prevent any profiteering. An interesting factor at the last meeting is that Saudi Arabia sent an observer. Until now, contacts with Riyadh on this question have only been on an unofficial and informal basis. The prospect of Saudi Arabia joining the common monetary union would certainly project the currency into the ranks of international importance, particularly in view of the European currency troubles. The next meeting of the central bankers is due to take place in Doha in June, by when Saudi Arabia's reaction to the project will become known.

On the retail side, locally incorporated banks are springing up, more often than not combining foreign interests and expertise with local capital. The entry of foreign banks is curtailed for now by the two-year moratorium, and Board officials say there seems little prospect of this being lifted when it terminates next year unless there is a substantial increase in business. Foreign banks were recently forbidden to open additional branches in Emirates where they were already represented. Such measures have given a stimulus to the local banks, and during a period of a mere six months last year six more locally incorporated banks were licensed. This brings the total of licensed banks in the UAE to 48. These 48 banks have been given permission to open a total of 349 branches, 202 of which are in operation. This vast number of banks, serving a population of only 603,000, has led to often reckless competition, and in an economy which is racing ahead, a number of the smaller banks have been obliged to take on business rejected by the more established

banks. The booming economy has also led to some over-borrowing, and some bankers find themselves having to advise their clients not to run so fast, to take stock for a while before plunging into the next venture that catches their eye.

## Hectic

The Currency Board believes that this hectic competitive pace could lead to dangers in the future, and at its recent meeting decided to impose upon banks a requirement to lodge with the Board a minimum cash reserve ratio equal to 5 per cent. of total dirham deposits and 1 per cent. of foreign currency deposits. It probably will not be a popular measure among the smaller banks, but Board officials feel it will help to preserve a healthy banking sector and give greater protection to the public.

Deposits are steadily increasing, and during the period March to September last year were upped by DH2.1bn. to a record DH11.2bn. Total bank credit during the same period amounted to DH5.7bn. at the end of September compared with DH3.0bn. the year before. Credit forms 43 per cent. of the total assets of deposit money banks. In Abu Dhabi loans for construction constituted the major part of business, while Dubai, which represented 69 per cent. of the total credit, went for the financing of trade, reflecting Abu Dhabi's construction boom and Dubai's role as an entrepot

centre. Bankers in Dubai are extremely reticent to touch construction financing.

Dubai has always aspired to become the main banking centre of the UAE, with its tradition in commerce and entrepot which is now booming. Others attribute Dubai's success to the ruler's policy of allowing foreign business to come to the emirate and set up in business without the necessity of having a local partner.

It was in Dubai that the UAE's first stock and commodity exchange was recently opened. Though still in its embryonic

stage, officials are hoping it will be trading 20 companies by the end of this year. It is hoped to make the Dubai exchange a centre for the region of Arab Gulf countries, but until such companies as Kuwait allow other nationals to buy into their companies, the scope is limited. (In this respect, Dubai's stock exchange is a beneficiary of Gulf unity, which is also limited by the national family lines each change slowly.

Kathleen Bish

## Beirut's Specialist Financial Services for East-West trade



The Moscow Narodny Bank has been operating in London since 1919, and in Beirut since 1963. It has close associations with Banks in the USSR and other Socialist countries, and has specialised for many years in financing East-West trade. Its unique experience in providing banking facilities for this trade is at the service of exporters, importers and financial institutions generally.

The Bank also handles all normal types of international trade finance, and is a leading operator in the Money and Exchange markets.

## Moscow Narodny Bank

TOTAL ASSETS EXCEED £1,100,000,000

Head Office: 24/32 King William Street, London, EC4P 4JS  
Beirut Branch: P.O. Box 5481, Beirut, Lebanon.  
Singapore Branch: P.O. Box 3883, 48/56 Robinson Road, Singapore 1.  
Representative Office in Moscow

## Diversify

However, in the immediate future the UAE is looking to diversify its banking scene with the addition of investment houses, money brokers, a working stock exchange and more merchant banks. There seems to be no shortage of applications either, for since the demise of Beirut over 50 such institutions have requested permission to set up in the country. In the past year the banking sector has

## JORDAN

## Emerging role for Amman

IF GREAT civilisations in the Middle East have traditionally risen from the ashes of their predecessors, it does not necessarily follow that contemporary financial centres in the Arab world must be built upon the debris of a shattered Beirut. Much free and fast talk has filled the air recently about the emergence of Amman, the Jordanian capital, as a new commercial centre to play some of Beirut's many traditional roles.

The truth of the matter is that Amman has been developing as a business centre for several years past, and has now reached the point where it seeks to open its doors to foreign companies while simultaneously moving to set up the depth and breadth in financial institutions and instruments that are the hallmark of any financial centre. It is not fair to say that Amman seeks to steal the show from Beirut, nor realistic to think that it can. But what is obvious is that the sustained economic boom in Jordan has now compelled the Jordanian Central Bank to take some decisive interventionary action such as the handful of commercial banks in the country has rarely seen from it.

What is happening in Jordan today is that a sustained, planned economic development programme is starting to bear fruit. Since 1973, however, the high pitch of economic activity has also prodded inflation via a massive increase in the money supply.

In 1974, the money supply jumped JD21m. to reach JD170m. and then increased by another JD48m., or 28 per cent. in 1975.

This was primarily due to increased foreign exchange assets in the form of private and public foreign credits and aid, a sharp rise in private remittances from abroad and a rise in domestic bank credits. This fuelled an inflation rate that has hovered around the 15-20 per cent. mark for the past three years, which in turn prompted many people with money to invest to put it into such non-productive fields as real estate and land speculation and commodities.

The Central Bank at the end of last year made a fundamental decision to attack these problems by using two monetary indicators—money supply and domestic credit. The goal was, and is, to reduce inflation, soak up some of the excess liquidity in the system, redirect credits to productive sectors such as manufacturing, building, tourism and mining, foster domestic investment and, as a bonus, spur the country's commercial banks into more aggressive and dynamic policies.

To this end, the Central Bank has just adopted a series of mea-

sures that include:

- a 10 per cent. limit on the increase in commercial bank loans to the private sector (with loans to industrial shareholding companies excluded);
- lowering commercial banks' loan-to-deposit ratio from 80 per cent. to 75 per cent., with an advance guideline for it to fall again to 70 per cent.;
- raising the legal reserve requirement on overdraft deposits from 12 per cent. to 15 per cent., which is an *ipso facto* increase in the banks' legal reserve requirement;
- for the first time ever, intervention by the Central Bank to regulate commercial banks' interest rate structures. A minimum interest rate on savings accounts has been set at 5 per cent. as of March 1 (5½ for three-month deposits, 5½ for over three months), and the minimum lending rate to prime customers has been raised from 7 per cent. to 7½ per cent.

The aim is to contain the money supply while simultaneously exercising some control on the 12 commercial banks in the country (the 12th, to open this spring, is a new branch of Chase Manhattan).

The Central Bank hopes to stimulate further savings by small depositors (the system's bedrock for many years), increase the money supply held by the banks, redirect some bank credits away from non-productive sectors and increase quasi-money (savings and time deposits) at the expense of the excess liquidity which now prevails.

## Intention

Simultaneously the intention is that these moves will spur the development of the Amman stock market, a local bond market and some secondary markets, and a general diversification of local financial instruments. A Central Bank source intimately involved with these developments notes that Jordan is at a stage now where its economy needs enhanced financial intermediation "to reconcile a fragmented capital market."

The State has had a good response to its offerings of development bonds (8 per cent. to the public, 6½ per cent. to banks), and seven bond issues, worth more than JD37m., by publicly held companies in the country last year were oversubscribed. Central Bank sources say it will take about a year for Amman's stock market to come into operation, when it will trade company shares now traded privately, Government bonds and State-backed public corporation bonds. About 70 issues will probably be listed when the market opens its doors.

According to the just published five-year plan (1978-80), Jordan will require JD65m. in fresh investment capital in the coming five years. Even if half of this comes from foreign loans, a substantial amount will have to be raised at home, and the commercial banks cannot be expected to come through with long-term financing in view of their history of short-term commercial credits, stress on liquidity and tremendous emphasis on risk aversion as their No. 1 priority.

Rami G. Khouri



More and more influential business and professional people are regularly taking the

**PetroMoney report**

produced by FINANCIAL TIMES BUSINESS NEWSLETTERS where 'Specialist subjects receive specialist attention.'

If your business interests demand regular information about what's happening to OPEC oil revenues, please complete and forward this advertisement, and we will send you a free sample copy.

Name \_\_\_\_\_  
Organisation \_\_\_\_\_  
Address \_\_\_\_\_

Send to: Subscriptions Dept (PMR), Financial Times Ltd, Bracken House, Cannon Street, London EC4A 3DF. F.T. 29/31PMR

**UBAF LIMITED**  
PO Box 169 Commercial Union Building  
St Helens 1 Undershaft  
London EC3P 3HT  
Telephone: 01-623 9211  
Telex: Administration: 886228  
Foreign Exchange: 885653/4/5

## An address every banker should know.

UBAF Limited was founded in 1972, and is active in the finance of trade between the U.K. and the Arab world, in international medium term lending business, particularly in relation to projects in the Arab countries, and in Foreign Exchange and Eurocurrency dealing.

If you are concerned with syndicated loans, or currency dealing or trade with the Arab countries, you could well find that UBAF's range of contacts and expertise are invaluable.

You have our address. And we are at your service.

**UBAF LIMITED**

Shareholders: Union de Banques Arabes et Françaises; Libyan Arab Foreign Bank; Midland Bank Limited.

**برادبرى ويلكينسون**  
لطباعة الأوراق النقدية للحكومات والمصارف  
وتجهيز العملة للشركات والأوساط  
**Bradbury Wilkinson & Co. Ltd.**  
Currency Printers to the World  
Bradbury Wilkinson & Co. Ltd. New Malden, Surrey, KT3 4NH  
Tel. 27103  
Cables: Bradbank New Malden Surrey UK









## FINANCIAL TIMES SURVEY

Monday March 29 1976

## BREWING

Everything seems to be going into reverse for the U.K. brewing industry. It used to be taken for granted that its inexorable growth would continue come what may.

That myth is about to be exploded. Beer sales are falling and most companies are going to find it very hard to match previous profits and growth.

emand  
Is off  
apply

YEAR beer production 39.54m. bulk barrels (11.4bn. pints) and 3 per cent. up on the output. This was right with what the industry is to expect since trade to revive in the early 1970s to that time a steady in beer sales had proved brewers with a major



the hops to the unboiled wort at Young and Co.'s brewery at Wandsworth.

16 per cent. on the same month in 1975 and, even allowing for special factors such as the one less brewing day and de-stocking by tenants, this represented a real drop of 5 per cent. or so. Then the February figures will show, when eventually released for public consumption, that there was a drop of nearly 8.5 per cent. on February 1975 output and this time there were no mitigating circumstances. Something really seems to have gone wrong in Scotland where production fell by 20 per cent. in February.

The only consolation the brewers have is that the message implied by the falling sales will have been noticed by the Chancellor of the Exchequer and that he might therefore leave the industry alone in the forthcoming Budget.

Along with the steady increase in volume sales over the past ten years has gone "trading up" as customers bought higher priced beers (with their bigger margins of profit). The "kegs" surged forward through the 1960s and the lagers in the 1970s.

The growth in consumer spending on beer in real terms has certainly been faster than the rise in the volume sold, otherwise the industry would not have reached such a thriving state. There has, in fact, been a remarkable consistency about the statistics over the years, showing that between 4 and 4.4 per cent. of all consumers' expenditure goes on beer. The more disposable income available, the more has been spent on beer, something that need not necessarily have happened and did not happen

## Leisure

The "trading up" to higher priced beers was only one element in the brewers' success in exploiting the leisure boom which accompanied the fast rise in general living standards in this country. They spent heavily on the pubs, making them attractive to women and therefore doubled the potential numbers of customers. Young people deserted the coffee bars for the pubs too, once the pub shrugged off the old "image" that branded it a place that only the middle-aged and older people would find amenable.

The survival of the pub as a "leisure centre" in the face of the onslaught of the television age—an onslaught that has significantly damaged other leisure businesses like the cinema and soccer, for example—bears witness to the marketing skills the brewers employed during the hectic years of change.

The major companies also spread their operations heavily into wines, spirits, soft drinks, hotels and so on. Sadly for them, the prospects for all these operations in the short-term are like those for the U.K. economy, not particularly bright until next year at least.

"Trading down" instead of up began to show itself last year and many brewers believe it too will continue for a while. The process has taken various forms. Customers have been switching from drinking spirits to drinking beer, and from drinking one type of beer to another which is less expensive. They have been moving from the usual outlet they have used to one which offers lower prices—more easily checked now pubs have to put up price lists. They have been taking their beer home to drink instead of going out to the pub. In some cases they have been cutting down on the amount of beer they drink.

Tony Simonds-Gooding, Whitbread's marketing director, put it this way when giving tenants a warning recently that "it's going to be tough in 1976." He

This Survey was written by  
Kenneth Gooding

said: "If beer sales drop by 5 per cent. it would be dramatic. Yet it needs only the 20-pint a week man to drink 19 pints for that to happen."

The illustration is vivid and enough to send a shiver through an industry where a very small drop in volume sold can have a big impact on profitability of the production operations. Trading down hits profitability at the retail end of the brewers' business.

As the weather this coming summer can hardly be expected to match that experienced in most areas last year (and the sun sells more beer than anything else so it seems), as tougher drink-and-driving laws are on the way and as the Chancellor might still produce some nasty shocks in the Budget, you can understand why there is a certain air of gloom around the industry.

It has not been relieved to any extent by the knowledge that the industry has been chosen by the Government as one to be examined under the new Industrial Strategy, a strategy which involves taking a close-up look at the 30 major U.K. industries to see if they could do with any State help to boost their efficiency and enable them to contribute more effectively to the balance of payments.

The brewing industry has shown a balance of payments deficit since way back, thanks mainly to the Guinness imported from Ireland. In 1973 the trade deficit reached £22.4m., but was back to a more normal £14.7m. the following year. Shifting beer around is an expensive business and there is not likely to be any great upsurge in exports. But the industry makes a major import saving contribution because it has been able to switch production to Continental-style lagers as Britain developed a growing thirst for this kind of beer.

However, even this situation is not particularly clear because Heineken, Carlsberg, Tuborg, Carling, Beck's, Label and Kronenbourg are all brewed under licence from Continental brand owners and cash will be flowing out to them anyway.

It is some time now since the industry was convulsed by the mergers which produced the major companies and a situation where seven major companies now account for 90 per cent. of

the beer market. There might be some minor tidying up operations but unless the current anti-merger sentiment, which pervades society, fades away the days of the big brewery get-together seem to be over.

As it happens, the two biggest companies in the industry—Allied Breweries and Bass Charrington—both gained new chairmen within the past year and both agree on this point. They both look for a period of consolidation as they try to ride out the current storms. Derek Palmer of Bass is certain his group would run into Monopolies Commission problems if it made any worthwhile bid for another beer group.

## Opposed

He remains, too, "totally opposed to diversifications outside the leisure industry. We have a sufficient portfolio of interests without going outside."

Keith Showering at Allied echoes this sentiment. "Over the next year or two it will not be a question of how you can expand. It will be a question of how do you hold on to your existing position." Even in the longer term he will hold out no possibility of "exciting changes in direction for Allied." He is

## SEVEN BIGGEST COMPANIES

Company	Estimated beer market share %
Bass Charrington	20
Allied Breweries (trading as Ind Coope, Tetley and Ansell's)	16
Grand Metropolitan (Watney, Trueman, Webster, Drybrough)	14
Whitbread	12
Scottish and Newcastle	10
Guinness	9
Courage (part of Imperial Group)	8

## U.K. BEER PRODUCTION

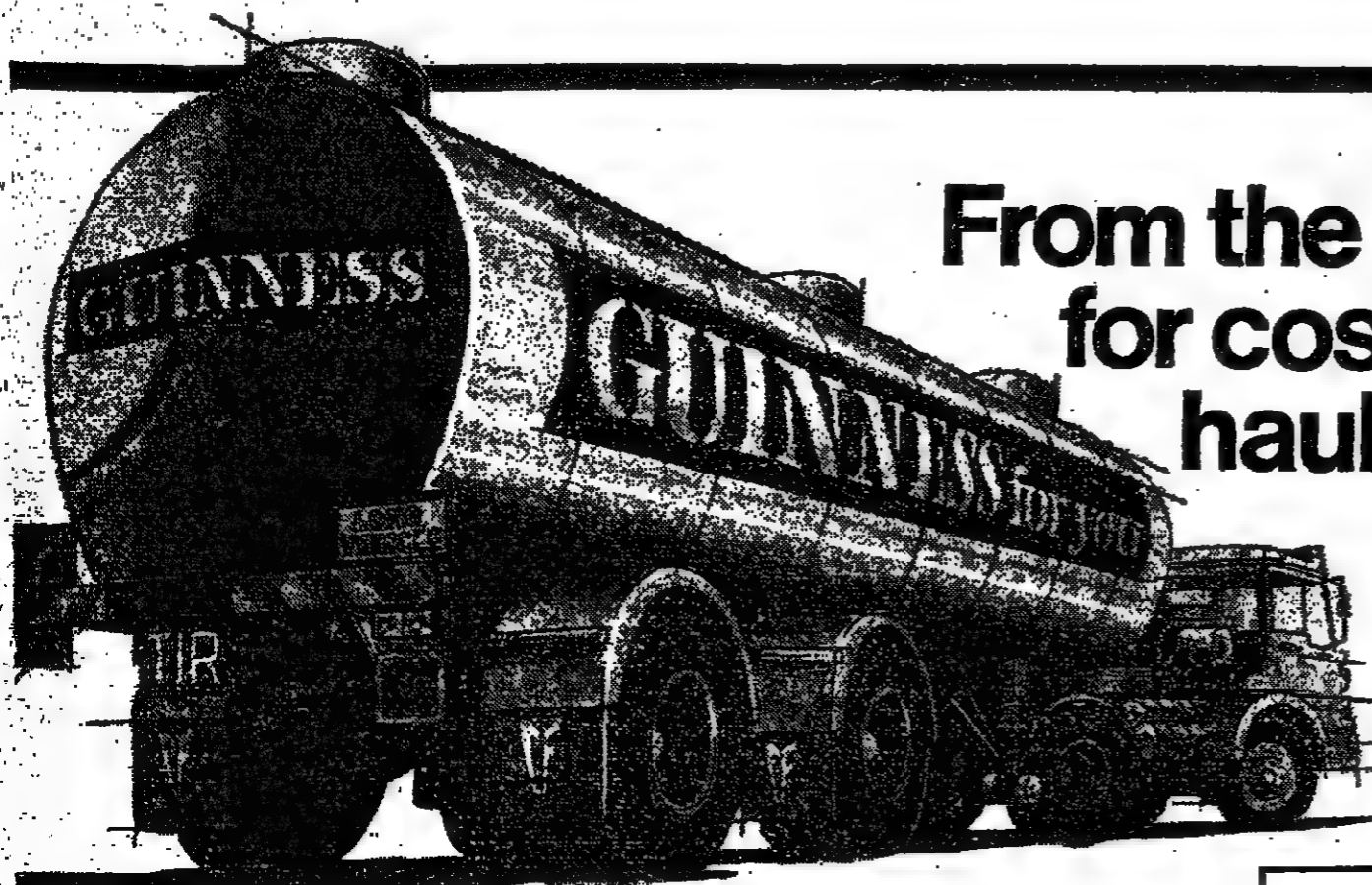
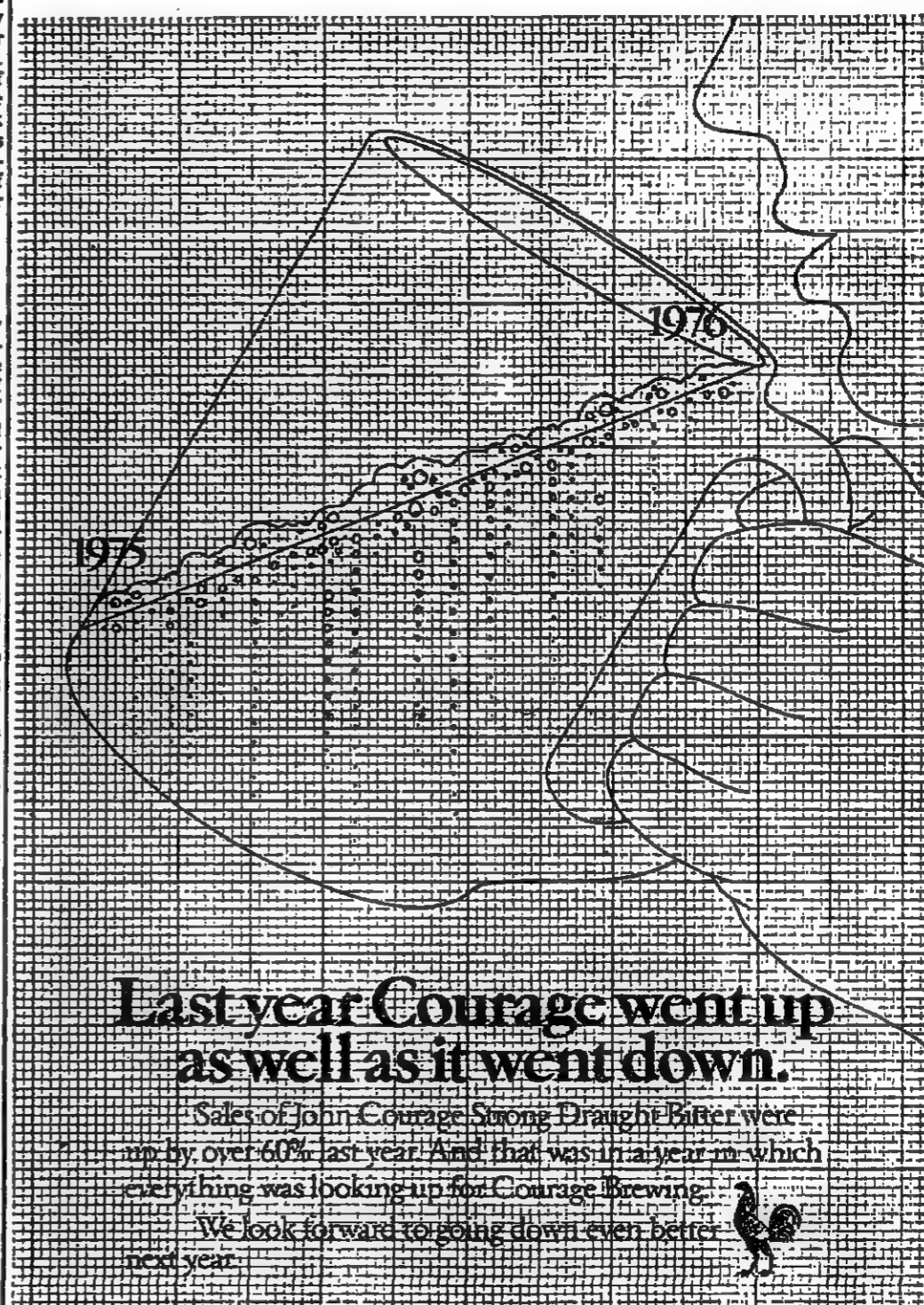
Year	million bulk barrels
1960	26.5
1965	28.6
1970	32.7
1975	35.5

determined that the group should "stick to these areas where we have special skills. We know about running retail properties, including hotels, and selling brands, non-alcoholic as well as alcoholic. We will not diversify."

This does not, we must assume, preclude a future bid for Trust House Forte in which Allied has a 25 per cent. holding and still sincerely believes would make a lovely marriage partner.

Nor does it preclude more of the kind of bid Whitbread made last year to pick up the Long John International Scotch whisky company. Whitbread saw this as a business which it already knew something about and, in particular, as a way to build up overseas earnings via Long John's sales in Europe.

Ironically, it is the smaller fry in the brewing industry which seem to have the chance of making better headway in current conditions. They have not decline.



From the Market Leaders...proven for cost-effective long and short haul distribution



Consistent with their market leadership, Crane Fruehauf manufacture for the brewing industry a full range of semi and drawbar trailers, rigid and demountable bodies many of which have been specifically designed to meet the exacting requirements of some of Britain's largest brewery companies. These include Urban platform semi-trailers and vans for short-haul distribution, high capacity tank trailers, curtain-sided trailers and brewery trunks for extra payload for the industry. All of these incorporate proven Crane Fruehauf engineering features; the product of years of experience in innovative transport engineering. For details of the Crane Fruehauf range of vehicles, servicing, leasing, rental and financing facilities, applicable to the brewing and allied trades, fill in and post the coupon.

Crane Fruehauf Trailers Ltd., Toftwood Division, Rash's Green Industrial Estate, Toftwood, Dereham, Norfolk. Tel: Dereham 3331 Telex 97251

1 Crane Fruehauf

Please send me details of your range and facilities.

Name \_\_\_\_\_ Position \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

Tel. \_\_\_\_\_

F.T. 29/3

Working demonstrations  
Beer filling  
Wine bottling  
Flexible pouch filling  
Palletising and Depalletising  
Shrink wrapping  
Carton erecting  
Wrap around packing  
Labelling  
New wet grist mill  
Brewery refrigeration plant  
Beer filtration  
Infra-red treatment  
Consumables  
Consultancy  
Main Contracting  
Spares & Service  
Hospitality

Ask us for an invitation!

We're consultants.  
We're main contractors.  
We supply single items of plant.  
We install, commission and service machinery.  
Machinery for processing, bottling and packaging beverages.  
Shrink wrapping and end packing systems.

# ERBEN

AT

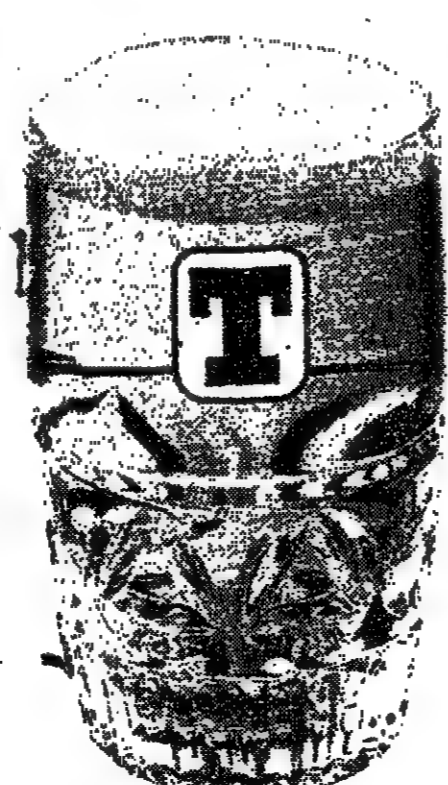
# BREWEX

HE H. Erben Limited, 'The Experts', Hadleigh, Ipswich, IP7 6AS. Tel: 0473 38 3011.

See you there!  
Stands F13, F14, F15



Carling Black Label—the biggest selling lager in England and Wales.



Tennent's—the biggest selling lager in Scotland.



Tuborg lager.  
World famous.

Bass Charrington. The big time lagers.

## BREWING II

# Changes in the law may have a major impact

**TOUGHER** drink-and-driving laws, longer pub opening hours and licensed outlets, where the whole family—including the children—are welcome could be with us by the end of the year if two important pieces of legislation go through as expected.

Since the end of last year the Minister of Transport has had the report prepared by the committee under the chairmanship of Mr. F. Blennerhassett QC which was set up to look at the drinking and driving laws. We are still waiting for the details to be published and, more importantly, to hear what action the Government might take as a result of the recommendations it contains.

Meanwhile a Private Members' Bill aimed at some licensing law reform passed its first major hurdle last month when it was given an unopposed second reading in the Commons. It now faces the tough task of securing time for a committee stage where MPs can give detailed consideration to its provisions.

The Government is taking a neutral stance on the Bill, being neither for nor against it, although Home Office Minister Dr. Shirley Summerskill said in last month's debate that the Government believed any general reform of the licensing law would best be carried through by Government legislation.

So, of the two possible pieces of legislation, the one more likely to be with us at the year end is the one to do with drinking and driving. We can only make educated guesses about what the Blennerhassett report contains but there are probably four main recommendations it could have suggested.

1—That more accurate testing devices, using improved technology, be used and that the loopholes in the current law which have allowed some drivers to escape conviction be closed.

2—That there be much more severe penalties for those convicted.

3—That there be random testing of motorists and that the police standardise procedures throughout the country in this respect.

4—That the current limit of 80 mg of alcohol per 100 ml of blood which leads to conviction for any driver on the move should be lowered.

In their recent analysis of these possible recommendations, Nick Sherrards and Chase maintained that stricter penalties and random testing would have a serious effect on the consumption of alcohol in the short term.

Apart from heavier fines and the imposition of much longer periods without the use of a driving licence, the Government might also consider establishing two types of offence as is the case in Northern Ireland. One is for those drivers caught just over the legal limit and one is for those well over the limit.

It might be that drivers found guilty of being well over the limit will be unable to apply for a driving licence for some years and, when the application is made, will have to support it with medical evidence that the applicant is no longer likely to repeat the offence.

As for random testing, the impact could to some extent be

judged from the situation in Cheshire last August when the police strictly enforced the existing law and the number of prosecutions rose substantially while alcohol consumption outside the home dropped dramatically.

### Amounts

On the contentious issue of a change in the 80 mg limit, the important factor is the British Medical Association's analysis which attempted to show the "accident proneness" of drivers after they had taken various amounts of alcohol.

From the BMA's findings it seems that the degree of accident proneness does not rise materially up to 50 mg but then rises sharply and that any driver with 80 mg of alcohol is probably three times more likely to be involved in an accident than a driver with only 50 mg.

So on this evidence there seems good grounds for suggesting that a 50 mg. (or lower) limit, if properly implemented, could make the breathalyser more effective. This is one change which would not require fresh legislation but could be introduced by Ministerial regulations.

The great imponderable about any drinking and driving

legislation is the public acceptance. If the public on the whole believes that it is good legislation and deserves support, then the police have an easier job and can more effectively make the new law stick by prosecuting offenders.

So far the British seem reluctant to accept that the man who drives with more than 80 mg of alcohol per 100 ml of blood has committed an anti-social act even though the law says he has committed a criminal offence. This is an offence that people publicly own up to and sometimes boast about.

Unless attitudes change considerably the police will have no incentive to make any new drinking and driving laws operate properly and the effect on the brewing industry will be as short-lived as when the breathalyser made its first appearance in this country in October 1967.

If the Private Member's Bill to change what the sponsoring M.P., Mr. Kenneth Clarke (Con, Rushcliffe), described as "England's complicated, archaic and uncivilised" licensing laws succeeds in making its way to the statute books then the effects will be longer lasting.

Two major reforms are pro-

posed by Mr. Clarke's Bill: extension of public house opening hours so that they open from 10 a.m. to midnight and measures to help the "Continental" style of cafe where adults can children.

The Bill incorporates important safeguards. Although it proposes that children be admitted on certain premises with adult licensees, it insists that this be only up to 8 p.m. At the same time Clarke stresses he would not be undertaking from the Brewers' Society that their pubs and their employees would not be open to all the additional

### Comment

In the February debate Summerskill made a point comment. She said that it would be better if the Government self dealt with licensing reform was necessary after had completed consideration of the Errol report. The report was published in December 1972, since when Government has treated it as a kind of embarrassing document, "interesting" but not "useful".

This is understandable, subject of liquor law is a sensitive one. Lord E. who as a former Home Secretary had the task of steering existing Licensing Act through Parliament, once told me he had never had a more difficult subject to deal with.

Anyone attempting to tinker with the law and subject confronting public pressure groups, brewers and licensees, the testators on the side, the churches, the middle. The medical profession, social service, local magistrates also want say.

It is not just one, but Government-sponsored organisations which have insisted Britain's liquor laws be liberalised. Their deliberations covered a period of seven years and involved a tremendous expenditure in time, energy and cash. But ministers are considering.

CONTINUED ON NEXT PAGE

## Building programme starts to pick up

ANY TIME NOW Whitbread will bring back to life its project to build a new brewery for the West which will go up at Mager, near Newport, Gwent.

The scheme was shelved for some time when it became a victim of the brewing industry's capital expenditure cuts in 1974-75 after it was caught badly by rapid inflation and the Price Code. Like most other manufacturing industries, brewing had to switch its main attention to the conservation of cash.

The delay has to some extent been a costly one for Whitbread. Original estimates about the cost of the Mager brewery, which will have a capacity of around 1.8m. barrels a year, put it at £13m. By the beginning of 1975—two years after those first estimates were made—the cost had risen to a forecast £30m. So it seems that Whitbread can now face a bill of at least £40m. to £45m. when it goes ahead.

### Essential

The company has been impatiently waiting to give the green light for the project and has been working on the site since last autumn, carrying out jobs which any company would have first to complete before building any kind of major plant there.

But financing for the Mager brewery is tied up closely with the company's ability to get through its plans to develop the old Chiswell Street brewery site in the City of London. It was absolutely essential that the Chiswell Street scheme should have started before the Development Land Tax was introduced because, when in force, this will deny the company roll-over tax relief on its reinvestment of Chiswell Street profits in the new Mager brewery. Whitbread would also like to know just what investment incentives might be included in Price Code changes which are on the way before punching the "go" button.

The industry seems to have been lucky in that many of the major brewery projects were

completed before inflation ran riot in the U.K. But there are still some other big schemes in the pipeline, apart from Whitbread's.

Courage, the Imperial Group subsidiary, has almost cleared all the planning hurdles before starting next month on its proposed brewing and distribution complex on a site just south of Reading. The brewery will be of moderate size by today's standards with a capacity of up to 1.5m. barrels a year. However, even though Courage would probably have liked to build one four times that size, the capital investment involved was prohibitive. The planned complex will cost at least £38m, as it is. And there will be room for expansion as only three-quarters of the 110-acre site will be covered by the initial development.

Another aspect of the decision was the industrial relations problems which would have been involved in the closure of Courage's London and Bristol production centres to make a really huge Reading brewery worthwhile.

The Northern Clubs Federation, a company owned by the 650 clubs it supplies with beer, is much further ahead with its brewery currently going up at the Dunston Industrial Estate, near Newcastle. The planned capacity for the brewery is 2m. barrels a year, making it one of the U.K.'s biggest when completed. The NCF had been unable to get permission to expand its 250,000 barrels a year brewery near Newcastle Central Station and opted for the new plant instead. The federation paid around £300,000 for the 30-acre Dunston site and managed to persuade the Co-operative Bank to put up a substantial part of the £10m. The brewery is expected to cost.

It was natural that the NCF should turn to this particular bank for help with finance, for the Co-op Bank is already heavily involved with the working men's club movement and it is estimated that more than one-third of Britain's membership clubs bank with it.

Up to 22 per cent. of the cost of the buildings and equipment could be offset by Government grants because the project is in a development area. The scheme will also attract regional employment premiums.

Apart from dramatically increasing its brewing capacity, the new brewery will allow the NCF to brew its own lager brand at last.

It has been the switch in public taste to lager beers that was one important factor in the boom in brewery building during the late 1960s and early 1970s. Whitbread built its Luton brewery specifically to brew Heineken lager under licence and then went on to develop another at Sarnesbury in Lancashire with lagering capacity.

The Carlsberg brewery at Northampton, developed at a cost of £14m., was also required following the trading link with Watneys which used Carlsberg as its "house" lager brand.

Harp Lager, a consortium company now owned by Guinness, Courage and Scottish and Newcastle Breweries with Greene King having a very small stake, spent £13m. between 1971 and 1974 to raise capacity at its four lager-only breweries.

### Equipment

Part of the new Courage capacity at Reading will be taken up with the brewing of Harp lager. All this because, while it is perfectly possible to brew English ale at a lager brewery, it is not possible to brew lager without special lagering equipment.

The other factor which played a part in the brewery boom was the spate of mergers from which the major brewing groups developed. Although those mergers had more to do with putting together national chains of pubs and the marketing strength this gave to the groups in their attack on the "free" (or non-brewery owned) outlets, they also left the industry with a great deal of production

tidying up to do. For example when Whitbread gets Mager the move there are three breweries within reasonable distances which would be the closure. While Bass Chiswell's new brewery at Rye was designed to replace old breweries which were the end of their useful life.

Delays in completion of corn saw the scheme caught in the inflationary spiral in the gross cost soared by third to £30m. However, it is entitled to various grants because Runcorn is a development area and has been able to sell off breweries to help offset the cost. Even so the net cost rose to £16m. to between £20m. and £25m.—still leaving the project extremely viable.

Runcorn is a brewing packaging complex with capacity of 2.5m. barrels and could cope with up to 10 per cent. of the group's beer requirements. A phase at Runcorn is planned—but will not place for about five years the meantime more lag capacity is being added—cost of around £2.5m.—to provide room for Bass to brew newly-acquired brand T for the U.K. And, as evidence of the impact of on brewing industry investment, Harp is also having to again and also to cope with new brand—this time Kr. bour. The company is expanding its Manchester brewery at a cost of £2.25m. (the latest development was completed only last June) to up capacity from 60 barrels a year to 1.4m. ba. Like Bass, Harp will invest new fermenting capacity refrigeration plant.

GEBRÜDER  
HELSEBERG

Hop Merchants  
Imperial House,  
15, Kingsway,  
London, WC2B 6TT.  
Telex: London 242653.

## BREWING III

## Lager now setting the pace

BEER DRINKERS of which closed down or were phased out some other way.

Currently some marketing men feel that perhaps the big brewing groups went just a little too far with this brand rationalisation. Anthony Tennant at Watney is one of them. He points out that customers have a great deal of loyalty for their "local" brews and his group aims to have good local draught beers available in most of its trading area.

## Revival

To some extent the revival of the marketing men's interest in the "local" beers has come about because of the activities of the devotees of "finer beer". This is sometimes misnamed "real" beer because it leaves the brewery in an active condition and is not pasteurised like the kegs or lagers.

All the major brewers have reacted to the Campaign for Real Ale (CAMRA) by pointing to the "finer" beers they already have in their portfolios and have been giving these brands more attention than they have had for many years. For some of the small brewers this renewed interest in "finer" beer has been very important indeed. It has given many of them a marketing "plus" they have not had for decades.

Perhaps the most extreme example of what CAMRA and "finer" beers have achieved in recent years is the story of CCR Investments which bought the Bellhaven Brewery in Scotland mainly to service the group's hotels in that country. Since the hotel and leisure and has suffered dramatically in the recession, the hotels are gone and CCR is now getting most of its profit from the brewery.

Another pointer to what is happening in the beer market came earlier this month from North Country Breweries. (For those who still say: Who? NCB is what was once called Hull Breweries before it was acquired and revamped by what was once called Northern Dairies and is now Northern Foods). Chairman Nicholas Horsley reported that because "in line with national trends" sales of packaged beers fell in the last financial year, NCB was to withdraw from packaged beer production. The company is to make arrangements with other brewers to sell their packaged beers in exchange for them taking more of NCB's draught.

Mr. Horsley is not alone in believing that packaged beers will remain in a "no-growth" situation at least until 1985. Forecasts produced early this year by the Brewers' Society Statistics Advisory Group showed the majority of the experts predicting that packaged beers would account for 10m. barrels in 1985 against 10.1m. last year.

However, within that overall "packaged" beer total they expected sales of canned beers to double and those of the bottled varieties to fall by more than half. This obviously reflects the developing role being played by supermarkets (which prefer cans) in the take-home beer trade.

The rising flood of demand for lager has been, generally speaking, bad news for the smaller brewers. Unable to afford the high-priced equipment needed to make lager (you can brew English "ale" in a lager brewery but you can't brew lager in an "ale" brewery) some of them attempted to jump on the bandwagon by producing what they call lager by using different types of hop and yeast and by storing the beer a little longer. Certainly it is the

length of time for which the beer is stored which is one of the basic differences between "ale" and lager. But the fermentation process is also a vital element.

In the brewing of "ale," yeast collects on the surface of the beer during fermentation and is skimmed off—so the process is known as "top fermentation." Lager is subject to "bottom fermentation." The yeast, after working in the beer, sinks to the bottom of the vessel and is retrieved after the beer has been run off on its way to a second period of fermentation. Those brewers who produce "top fermented" beers they called lager have a rather strange product and one which often deserves the industry's term for such beer—"bastard lager."

But how else were they to react when lager sales were growing at a steady 20 per cent. a year against a total market going up at only 3 per cent. During the past ten years lager sales have grown 12-fold from 600,000 barrels to 7m. barrels (there are 288 pints to the barrel) while the total market is up only one third from 30m. to 40m. barrels per annum.

If they were to get any of this business they had to make some attempt to join in with

the big boys in the industry, who, it must be said, produce their lagers in the approved Continental manner.

It is the major groups which dominate the lager market and the market shares show by just how big a margin. There are no official ratings but no one in the industry would argue very much about the figures quoted below.

Bass Charrington's two brands, Carling Black Label and Tennents (the brand name used for the same beer in Scotland), have 27.7 per cent. Harp, the brand owned by a consortium consisting of Guinness, Courage and Scottish and Newcastle with equal shares and with Greene King having 2 per cent., accounts for 24 per cent. Skol, the Allied Breweries brand, has 16.6 per cent., and Heineken, brewed in the U.K. by Whitbread under licence from the Dutch group, 15.2 per cent. Carlsberg, now wholly owned in the U.K. by United Breweries of Denmark but retaining strong trading links with Watney and Watney's parent Grand Metropolitan, 12.5 per cent. That leaves 4 per cent. for the others to share.

This year, however, some significant changes will take place in the U.K. lager market.

Both Bass and the Harp consortium are already embarked on campaigns for lagers new to their portfolios. Bass has taken on the Tuborg brand while Harp has introduced Kronenbourg. Apart from spending hefty sums on advertising and promotion for these brands, both Bass and Harp are spending in the region of £3m. each on providing production facilities for them.

All this follows another development over the past year or two. Lager drinkers have begun to seek a choice between the standard-priced lagers sold on draught and the higher-priced premium lagers.

## Opportunity

"This process, which marketing jargon describes as 'segmentation,' will continue and we believe that our best opportunity of ensuring that this future increases in lager sales should reach 15.8m. barrels against an estimated 8.35m. in 1975-76, given that total beer sales continue to progress at a minimum 2.5 per cent. a year. They also have no doubt which types will suffer. Mild is one of

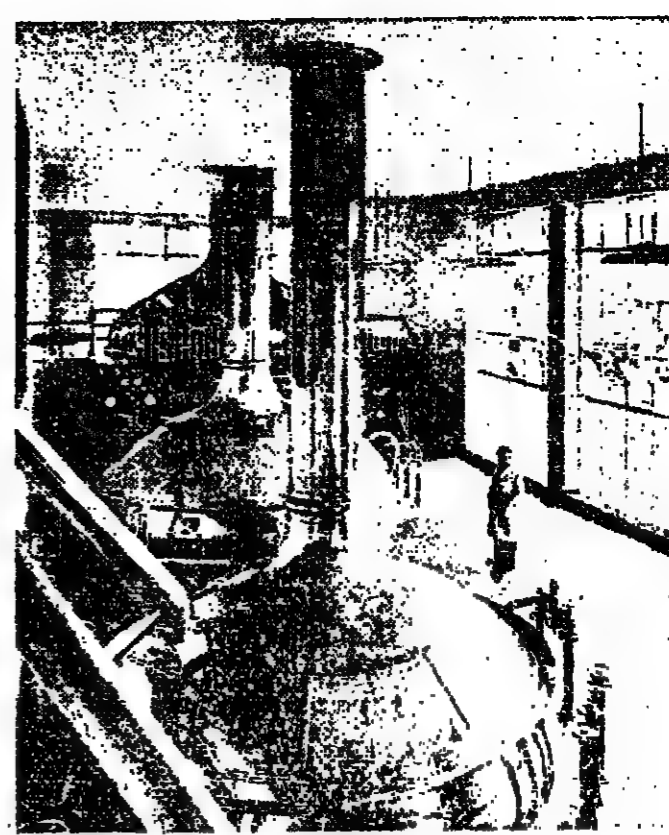
Segmentation has more to do with price and strength than beer business will also decline. With brands but there is the And even bitter is among the problem of identification when vulnerable beers.

selling to the important "free" (non-brewer owned) outlets—some 18,000 pubs, 25,000 off-licences and 28,000 clubs at the last count. It would be difficult for the salesman to differentiate between two styles of lager carrying the same brand name. He could not praise one without appearing to denigrate the other. "Instead of one brand with two qualities we wanted two brands with different qualities," is the way Mr. Mitson puts it.

Bass takes the view, too, that no single beer brand in the U.K. is likely to sell much more than 2m. barrels a year (576m. pints). Only Guinness, which is in a special category of its own, sells more than that. If Carling-Tennents sticks at that level while the lager market continues to increase, Bass would obviously lose some share of the market.

Both Bass and Harp agree that by 1984-85 lager production should reach 15.8m. barrels against an estimated 8.35m. in 1975-76, given that total beer sales continue to progress at a minimum 2.5 per cent. a year. They also have no doubt which types will suffer. Mild is one of

Segmentation has more to do with price and strength than beer business will also decline. With brands but there is the And even bitter is among the problem of identification when vulnerable beers.



The brewhouse at the Skol lager brewery in Alloa, Scotland.

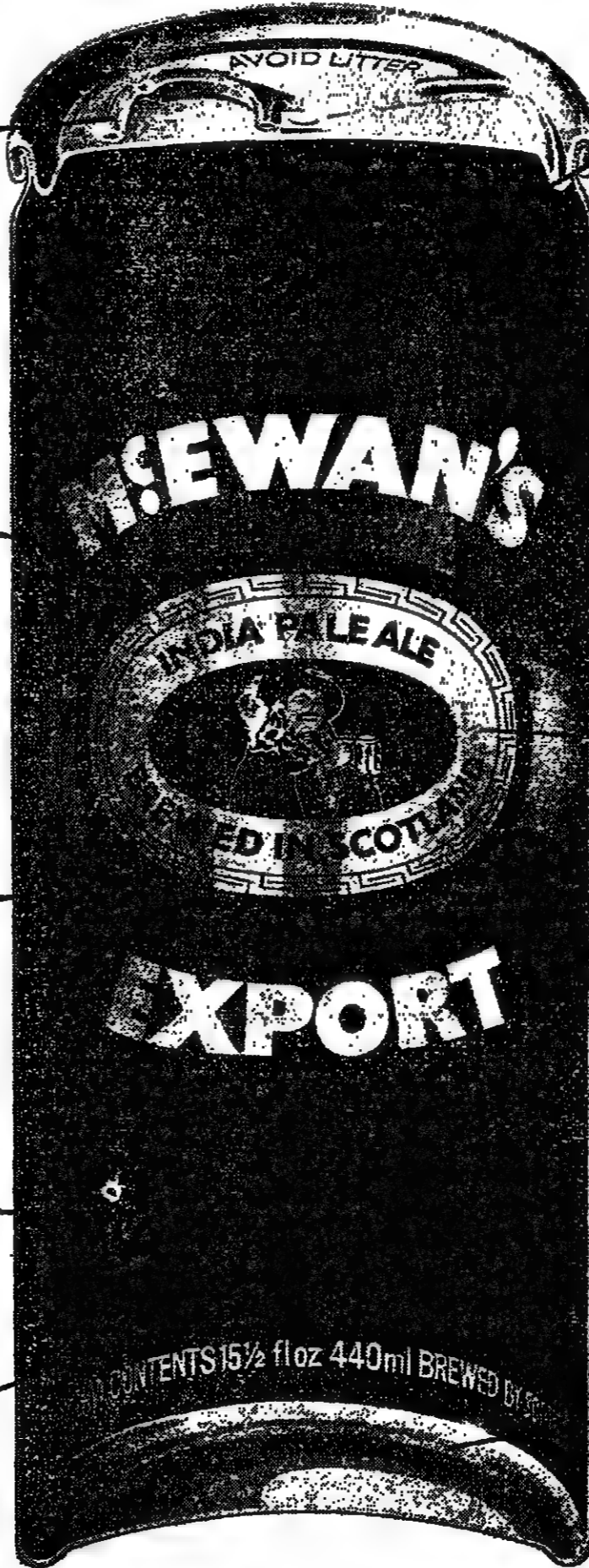
Makes opening time easy

Can't break if dropped

Transport costs reduced because of savings in space and weight

Stacks up to give the best display

Can be re-cycled



Can be filled at speeds up to 1,200 a minute

Maximum surface area for brilliant printing and display

Overwhelmingly preferred in the take home trade

Two-piece can gives complete integrity

## Why the best beers are in cans



These and many other beers are in cans.

For all the reasons above, and many more, the best beers are in cans.

Not least because canned beers go down better with the people who matter most of all. The consuming public.

Cans are convenient.

They are easy to carry and easy to open anywhere.

All of which encourages people to buy them to such an extent that the brewing industry itself expects consumption of beer in cans to more than double in the next ten years.

The brewing industry benefits from can filling speeds of up to 1,200 a minute.

Even higher speeds are contemplated.

If you'd like us to show you a few more reasons for saving money while you can, see us at Brewex, Stand No. J1.

Or write to us at the Open Top Group, Metal Box Limited, Queens House, Forbury Road, Reading, Berks, RG1 3JH. Tel: Reading 581177 Telex: 847437

**M B Metal Box**

## e law

FROM PREVIOUS PAGE

ap, the Erroll commission proposals were that would have a simplified licensing system which it is much more easy to obtain permission to sell both over-the-counter and for the take-home. It would encourage, it new types of catering which would then complement the traditional pub. A petition was needed if sizeable monopolistic brewers have on liquor was to be loosened (a eased home by the Commission which led directly to the p of Erroll's com-

from the two points catering by the pubs which has been a feature of the past decade has, indeed, produced a situation where a family can sit in the pub together—if they suggested that the a youngster should be try his own alcoholic. He also wanted all selling liquor to come law which would give the right of access to

members' clubs, a right they do not presently have.

Lord Erroll himself seems not too dismayed by the time it is taking for the Minister to consider his proposals—more than three years now. He takes the view that the report his committee produced has, in any case, had a radical impact on the liquor trade. Magistrates have taken the hint and been much more willing to hand out new licences, particularly to food retailers wanting to add a liquor section to their stores. The brewers' domination of the take-home trade, if it ever existed, has disappeared for good as the supermarkets have built up their share of the market.

The widespread move into the various MPs who have been involved in attempting to get at least some of his committee's proposals into the statutes.

## BREWING IV

## An increasing influence overseas

**DID YOU KNOW** that last year Scottish and Newcastle Breweries ran into big problems over the 21-hole golf course it is having constructed in the Languedoc-Roussillon area in Southern France?

Or that Courage Breweries of Australia made a profit in the half-year to the end of December—only the second time since it was set up eight years ago that it has operated in the "black"?

Or that Bass Charrington last year bought out the minority interest in its pub chain in Sweden because its partner there had been nationalised?

Or that Guinness has since January this year been distributed in Metropolitan France by Kronenbourg, the Strasbourg brewing concern which is part of a group which controls nearly half the beer sold in France?

Or that Vaux became the fifth U.K. brewer to get itself a production base in the crowded Belgian beer market 18 months ago?

If you answered "yes" to all questions you certainly know the brewing industry better than most because some of these happenings received scant attention when they occurred. They do, however, give some indication of the way the U.K. brewing industry has spread its influence overseas.

One of the most significant of the recent changes in the British brewers' overseas interests was the acquisition by Whitbread of a foothold in the Italian market, the market, according to chairman Mr. Alex Bennett, "with, perhaps, the greatest potential for development in Europe."

Whitbread tied up with Dutch brewers Heineken and between them they took up an 84 per cent. stake in Dreher which, in true Italian style, had 20 per cent. of the market, was the second-largest of the Italian brewing groups and yet was well on the way to going bankrupt. It is taking Whitbread and Heineken longer than they

expected to get Dreher into the kind of shape they would like but Mr. Bennett insists "in the longer term we have great hopes of a significant contribution to our profits from this source in the future."

The plans for Dreher include more than just putting the brewing side right. It is intended that the Italian concern should introduce some of the Long John International spirit brands to its portfolio—Long John being another recent Whitbread "buy," but this time in the U.K.

The link between Heineken, one of Europe's half-dozen largest brewing businesses, and Whitbread, third-largest in the U.K., marks the first time that I can recall when two European brewers got together in an attempt to establish a joint presence in a tempting market. The idea has been around for some time, however. When Watney agreed with United Breweries of Denmark to set up a joint production company for Carlsberg in the U.K. (an arrangement since unravelled) part of the attraction was the promise of joint European ventures.

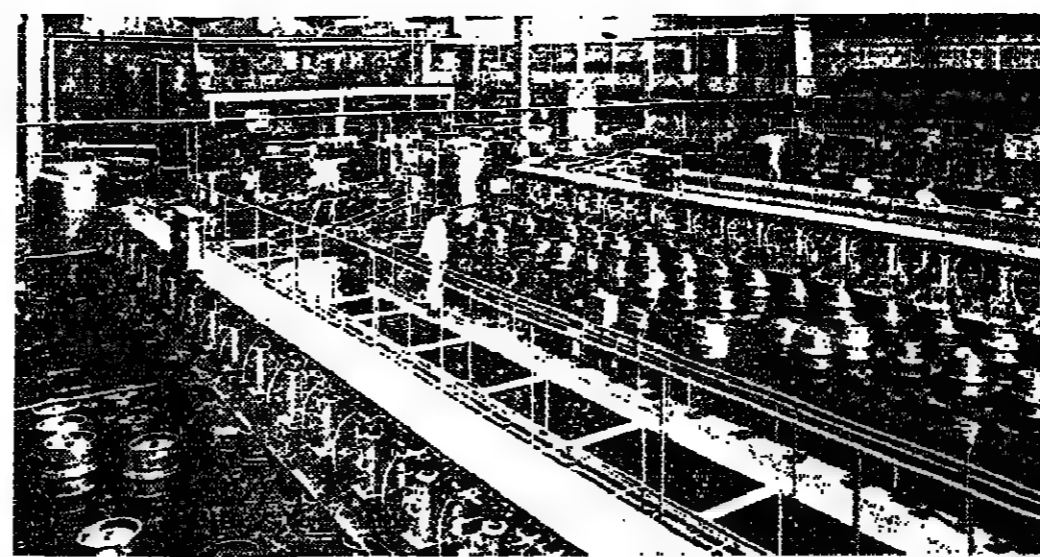
### Promise

As it happens, last year when United Breweries made its major changes in the U.K.—changes which involved buying out the 49 per cent. Watney stake in Carlsberg U.K. and handing the U.K. marketing-production of Tuborg lager to Bass Charrington—the Danes made a similar promise to Bass. Nothing came of all this during the Watney days, but then

Watney was busy first bidding for Truman and International Distillers and Vintners and then getting itself taken over by the Grand Metropolitan group.

But Bass' chairman and chief executive Mr. Derek Palmer is determined that the "understanding" that there should be future co-operation with United Breweries in Europe will lead to something positive. "We will take active steps to see this is developed," he says.

The company which is particularly active in beer markets



The keg racking lines at Allied's modern brewery at Burton-on-Trent.

overseas is Guinness which, because it has stayed out of retailing in Great Britain, has been forced to look elsewhere for growth. Last year Guinness got 26 per cent. of its trading profits from overseas operations—and the figure of £7.5m. represented a 83 per cent. jump on 1974.

The previously-mentioned arrangement with Kronenbourg, part of the BSN-Gervais-Danone group which, apart from being France's major brewer, also had food, beverages and glass interests, will help push up overseas earnings this year.

Changes made late in 1975 took Guinness well on the way towards becoming the first beer to be available nationally in West Germany where regional loyalties have fragmented the market among locally-brewed beers. Mr. Edward Bentley, the director in charge of Continental operations, told me: "We have done our market research and have come to the conclusion that Guinness has a place in the German market. It already has a lot of snob appeal to be seen drinking Guinness, which is distinctive in that there is practically no dark beer sold in Germany."

The start of the new push in Germany involved two deals. One with the Dortmund-based Kronen group, which is now distributing Guinness in North-

Rhine Westphalia, an area wide 54.7m. for two separate "disasters" in its Belgian drinks business. (Watney, with its German and Belgian beer interests, has pushed further than any other U.K. group into Continental European beer scene.)

Outside Europe Guinness has become particularly strong in the world's equatorial belt. All told there are five countries where it owns its own breweries and nine others where brewing of the brand takes place under licence.

West Germany's fragmented beer market has always looked an attractive proposition to the U.K. brewers because of its size—the biggest in Europe in terms of consumption—and because the chances are that it will one day follow the U.K. pattern and regroup and rationalise. So far Watney is the only British brewer to find its way in and set up a production base, however. It paid £18.5m. for a 76 per cent. stake in Stern, one of the top ten brewing businesses in West Germany. Mr. Maxwell Joseph, chairman of Watney's parent concern Grand Met, reported recently that Stern had had the "best year in its history" and was one of the few brewing groups in Germany to show increased beer sales.

Watney needed some good news from its overseas operations having had the traumatic experience of needing to pro-

cesses in Belgium. The family company operating from Oudenaarde, was only a little more than the cost of opening up a new depot. But Liefmans has a 12-acre site, a fairly modern brewery (by Continental standards) built in the 1940s, and 19 "tied by loan" retail outlets. Vaux's joint managing director Mr. Paul Nicholson said at the time of the purchase: "Not only should this acquisition be self-financing but on top of that we get the base for the expansion we wanted and some useful contacts in Belgium."

Of the other U.K. brewers, Watney is third largest in Belgium, Bass controls Lamot, the seventh-largest concern, Whitbread has its own brewery at Ongerzele, and trading arrangements with Artois, the biggest brewer in the country and Young's of Wandsworth is linked with the second-largest Piedboeuf, which has provided brewing capacity for Young's beers. Apart from all that, Courage sells a lot of pale ale via the John Smith wholesaling group in Belgium.

Allied Breweries, a Europe's biggest drinks business, chose to move into Holland instead of buying the Oranjeboom, and Breda companies which have been merged under the Skot name. But it, too, sells beer in Belgium via a trading arrangement with the Wielemans Ceuppens company and it owns the Looza fruit juice business there. In Holland Allied has soft drinks and wine and spirit interests as well as the brewing concern and only a couple of weeks ago added Melchers, which produces the "Olfant" gin and other spirits, to its interests by buying that company from Cavenham of the U.K.

This brings us to the other odd companies. Courage has seen the company that bears its name in Australia, but is 55 per cent. owned by local interests, made losses of A\$6.6m. (£4.4m.) since it was set up in 1968. But now the corner might really have been turned. In November and December last year Carlton United Breweries, previously a monopoly supplier in Victoria, suffered crippling industrial disputes which culminated in complete close-down

of its brewery. The local, previously had disavowed refusal to touch Courage, because in some way they not believe it was "Australasian" for the first time decided it was not too bad. Some of them might stay with it. On top of that, Courage, taking a leaf out of its own book, decided that it to have more of its own and bought 11 hotels and months ago. The update that in the half-year to 1975, Courage Australia made \$A448,000 (£220,000) profit.

All this takes us full back to Scottish and Newcastle's venture in France, an company has not had a luck so far with its diversifications — its Winery business in the U.K. hit by the recession and first year of S and N's ship lost \$370,000 (inc. \$242,000 interest).

### Project

S and N was involved joint company to set up and leisure centre at St. Etienne in Southern France, an present largely undeveloped which is currently developed for tourism as a French Government policy project is designed to cost 27 holes of golf, a club and associated leisure centre as well as a real estate development. The real estate will maturely be sold.

The fall in property and the recession led S and N to have a hard look at involvement — a potential franchise at current (£7.3m.). It has decided with the scheme, has control of the project, appointed its own chief executive. Some 18 holes have been completed and are being on and a further 18 should be ready in the summer for a September opening club.

S and N insists it is optimistic about the long prospects in spite of the term problems it has face, which is roughly most of the U.K. brewers overseas interests of any feel about those businesses.

### Collapse

One problem involved Agvina Supermarche de Vin, which had a retail chain, and Grand Met, initially had to face the prospect that the collapse of this very small part of its business—original investment \$450,000 in 1969—could cost up to £5m. Then the decision to close the Vandenhoeve brewery because of problems there, gave rise to big redundancy payments. Grand Met is now concentrating on brewing and selling Maes pills in Belgium and this business is now going well.

The attraction of Belgium for the U.K. brewers is that it is about the only Continental country where English-style ale, as distinct from lager, is sold in any quantity. The Belgians are prodigious beer drinkers and the country provides a good jumping-off point to attack the Northern France beer market—the only part of France where they drink beer as well as wine.

Vaux was a latecomer to the scene and its investment is very modest indeed. The £198,000 it paid for a 76 per

cent stake in Liefmans, a family company operating from Oudenaarde, was only a little more than the cost of opening up a new depot. But Liefmans has a 12-acre site, a fairly modern brewery (by Continental standards) built in the 1940s, and 19 "tied by loan" retail outlets. Vaux's joint managing director Mr. Paul Nicholson said at the time of the purchase: "Not only should this acquisition be self-financing but on top of that we get the base for the expansion we wanted and some useful contacts in Belgium."

Of the other U.K. brewers, Watney is third largest in Belgium, Bass controls Lamot, the seventh-largest concern, Whitbread has its own brewery at Ongerzele, and trading arrangements with Artois, the biggest brewer in the country and Young's of Wandsworth is linked with the second-largest Piedboeuf, which has provided brewing capacity for Young's beers. Apart from all that, Courage sells a lot of pale ale via the John Smith wholesaling group in Belgium.

Allied Breweries, a Europe's biggest drinks business, chose to move into Holland instead of buying the Oranjeboom, and Breda companies which have been merged under the Skot name. But it, too, sells beer in Belgium via a trading arrangement with the Wielemans Ceuppens company and it owns the Looza fruit juice business there. In Holland Allied has soft drinks and wine and spirit interests as well as the brewing concern and only a couple of weeks ago added Melchers, which produces the "Olfant" gin and other spirits, to its interests by buying that company from Cavenham of the U.K.

This brings us to the other odd companies. Courage has seen the company that bears its name in Australia, but is 55 per cent. owned by local interests, made losses of A\$6.6m. (£4.4m.) since it was set up in 1968. But now the corner might really have been turned. In November and December last year Carlton United Breweries, previously a monopoly supplier in Victoria, suffered crippling industrial disputes which culminated in complete close-down

of its brewery. The local, previously had disavowed refusal to touch Courage, because in some way they not believe it was "Australasian" for the first time decided it was not too bad. Some of them might stay with it. On top of that, Courage, taking a leaf out of its own book, decided that it to have more of its own and bought 11 hotels and months ago. The update that in the half-year to 1975, Courage Australia made \$A448,000 (£220,000) profit.

All this takes us full back to Scottish and Newcastle's venture in France, an company has not had a luck so far with its diversifications — its Winery business in the U.K. hit by the recession and first year of S and N's ship lost \$370,000 (inc. \$242,000 interest).

S and N was involved joint company to set up and leisure centre at St. Etienne in Southern France, an present largely undeveloped which is currently developed for tourism as a French Government policy project is designed to cost 27 holes of golf, a club and associated leisure centre as well as a real estate development. The real estate will maturely be sold.

The fall in property and the recession led S and N to have a hard look at involvement — a potential franchise at current (£7.3m.). It has decided with the scheme, has control of the project, appointed its own chief executive. Some 18 holes have been completed and are being on and a further 18 should be ready in the summer for a September opening club.

S and N insists it is optimistic about the long prospects in spite of the term problems it has face, which is roughly most of the U.K. brewers overseas interests of any feel about those businesses.

## John Foord & Co

Specialists to the Brewery & Allied Trades

### Machinery Valuers

Valuations for insurance, costing and all financial purposes. Plant Registers prepared.

### Industrial Property Valuers

Valuations for public issues, mergers and all market transactions, rent reviews, insurances, etc.

### Fire Loss Assessors

Claims prepared for the insured and negotiated with the insurer's adjusters.

### Property Consultants & Agents

Up to date professional advice on redevelopment, relocation, acquisition, disposal and letting. Comprehensive registers maintained of factories, warehouses and sites.

### Rating and Compensation Surveyors

Rating assessments challenged. Compensation claims prepared on compulsory acquisition.

## John Foord & Co

61 Queen's Gardens  
London W2 3AH

01-402 8361

## Investment in equipment

THERE WILL be 262 exhibitors showing their products at the International Brewing, Bottling and Allied Trades Exhibition which opens at Earls Court in London today. Not all of them will be attempting to persuade brewers to buy their equipment because suppliers to soft drinks and food industries are also well represented.

But the companies offering

brewers' equipment are hoping for some revival in investment by the industry from the current fairly low level.

Total brewing industry investment raced up from £50m. in 1970 to £71m. the following year, slipped back to £68.5m. in 1972 and soared to £102m. in 1973 with 1974 providing a £106m. peak.

Last year, according to Brewers Society estimates, the industry invested £34m., a mere £40m. at 1970 prices and in real terms well below the money spent each year since then. In fact, APV Holdings, perhaps the biggest of the U.K. suppliers of brewing equipment, says that the first six months of last year were "very quiet indeed" with hardly any orders coming in from the brewers.

But, says APV, the situation gradually got better in the latter part of the year with the last quarter providing the best months. The trend has continued so far in 1976—"orders involve no vast sums but we are getting quite steady business." (Among that business was a £3m. order for equipment for the new Northern Clubs Federation brewery at Newcastle.)

The supply of brewing industry machinery and equipment is an international business and the trade figures show this admirably. For example, in 1974 50 per cent. of the U.K. industry's output of filling, closing, sealing, capping or labelling machines went to export markets. But at the same time foreign equipment took 64.3 per cent. of the U.K. market worth around £23m. In the same year, the U.K. manufacturers of bottling and other packaging machinery had total sales of £20.2m. of which £9.5m. worth was exported.

Imports, meanwhile, were running at £16.5m. a year, nearly all of them from Western Europe.

Perhaps one of the most significant changes in the structure of the U.K. industry in recent times which might go towards stemming the inflow of imported equipment, was the purchase by Vickers of the engineering business of Dawson and Barfos for £1m., a deal which put Vickers engineering among the biggest producers of bottle filling, washing and packaging machines for the brewing, dairy and soft drinks industries.

Dawson and Barfos, in spite

of its own rationalisation of these operations, had found it could not keep production running high enough to break even. It explained at the time: "The modern developments in the bottling industry are towards ever larger bottling plants which require larger and faster fillers and washers. During the last few years no resources have been available to finance the research and development which would be required to keep the group in the forefront with its competitors and the Board has therefore been faced with the alternatives of either embarking on a deliberate policy of expanding the engineering division and making considerably further capital investment in this field, or of disposing of it."

### Fruits

Vickers has spent the past two years or so sorting out its enlarged business and the first fruits of this development programme are beginning to show through in new products. Star attraction at the Vickers-Dawson stand at Brewex, for example, is a completely new soft drinks filling and crowning machine called the Silverstream. This is a 45-head model and is the first of a range of high-speed pre-mixed beverage fillers. Most important, it has already been sold.

The purpose of Brewex is to provide brewers, bottlers, chemists, engineers, technicians, soft drinks manufacturers and purchasing officers with a comprehensive display of equipment, plant and materials for the brewing and bottling industries.

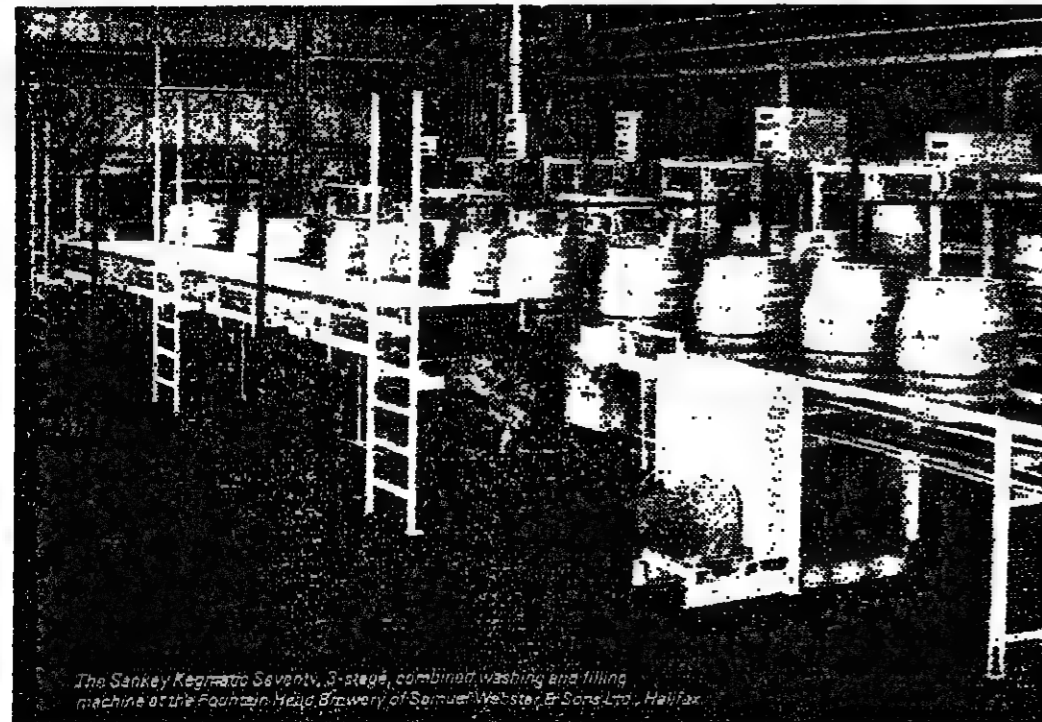
Sponsored by the Allied Brewery Traders Association, the National Association of Soft Drinks Manufacturers, the Process Plant Association (Brewery and Bottling Equipment Section) and the Committee of European Manufacturers of Food Machinery and organised by Industrial and Trade Fairs, the exhibition will provide five major beer competitions.

Four of them will be concerned with U.K. beers—bottled beer (non-deposit), draught ale (brewery conditioned), draught beer (cask conditioned) and draught lager. The fifth competition is for international bottled lager.

## The world's round.



We're proving it in over 140 countries every day.



The Sankey Regmatic Seventy, 3-stage, combined washing and filling machine of the Fourstar Brewery of Sankey, West Midlands, U.K.

The Sankey System is the only complete kegging system in the world. It has been designed and developed by GKN Sankey and is manufactured in Sankey's own factories.

The Sankey System is backed by GKN's huge international support. And the vital after-sales service provided by GKN Sankey is impressive and reassuring to customers.

BREWEX 76  
See us on  
STAND J6  
Earls Court  
March 29-April 2

The Sankey System

GKN Sankey Ltd., Brewery Products, Albert Street, Bilston, West Midlands WV14 0DL, England.  
Tel: 0902 43111 Telex: 33285

\$ premium, where  
 known, holds there to  
 in last column allow  
 . Chicago, which  
 today's price, a yield  
 Estimated, a Today's  
 tion Ave of U.S. two,  
 a all expenses except  
 llered price includes  
 through insurance.  
 Net of tax on paid-re  
 ced by a. \$ Quarterly  
 2. Single premium

هكذا آمن الرجل



## INSURANCE

Serving the world  
with  
financial expertise.

# SANWA

## BANK

Tokyo, Japan

## AIRCRAFT TRADES

20.0			Satirical 50c	\$55	2913	Q38c	4
19.57	Aug.	Feb.	Stratford 50c	165	2214	Q38c	4
7.34	Aug.	Feb.	Vald Res's 50c	216	2915	Q175c	1.9
	Aug.	Feb.	Ventures Post RI	225	2916	Q470c	1.9
7.6	Aug.	Aug.	W. Durr RI	2291	2917	Q570c	1.2
7.24	Aug.	Aug.	W's & Aras RI	230	2918	Q570c	1.2
12.5	Aug.	Aug.	Western Deep, Jr	925	2919	Q570c	1.2
15.8	Feb.	Aug.	Zandron RI	240	2920	Q570c	1.2

20 | 6.10 | 0.89 | ♦ | 7.0 | ♦

92	May	Nov.	F.F. Gould 50c	218	223	243	1.3
			F.S. Scapellato RI	218	223	243	1.3
10.4	May	Nov.	Barman 50c	340	355	385	1.3
			Lorain 10c	84	89	95	0.65
3.2	May	Nov.	Pres. Brand 50c	213	218	235	1.2
			Pres. Slego 50c	212	217	234	1.2
	May	Nov.	St. Helena 10c	117	122	130	0.8
15.3			Unissel	110	115	125	1.7
24.3	May	Nov.	William 50c	270	275	305	1.8
			W. Holdings 50c	213	218	243	1.3

92	29.12	3.66	2.9
56	19.5	1.51	3.5

8.7		Nov.	Asst. Am. Coal & Oil	385	1.3	Q31c	2.8
14.8	May	Nov.	Asst. Am. Coal & Oil	273	2.3	Q31c	3.7
38.6	Mar.	Asst.	Asst. Am. Gold R.	273	2.3	Q31c	3.7
	Feb.	Asst.	Asst. Am. Gold R.	273	2.3	Q31c	3.7
7.6	Nov.	Asst.	Asst. Am. Gold R.	273	2.3	Q31c	3.7
22.7	Nov.	Asst.	Asst. Am. Gold R.	273	2.3	Q31c	3.7
8.8	Feb.	Asst.	Asst. Am. Gold R.	273	2.3	Q31c	3.7
10.9	Oct.	Asst.	Asst. Am. Gold R.	273	2.3	Q31c	3.7
4.0	Nov.	Asst.	Asst. Am. Gold R.	273	2.3	Q31c	3.7

110ml	22.3	6.23	3.7	8.7	4
24	20.10	0.84	3.5	5.4	8

[illegible]

83	12.12	6.49	1.6	1
23 <sub>12</sub>	28.10	28.32	5.5	

		Diamond and Platinum			
7.3	Nov.	Apple Ann Int. Sale	120.4	22.9	0.2446
17.6	Dec.	Script. Bishopgate Pl. Bk	75	8.34	0.154
14.8	May	The Bressi Dr	27.8	22.3	0.276
14.3	Jan.	Aug. Da Sgr. H. PS	216	16.6	0.006
12.9	Nov.	London. 120	78	23.79	0.25
12.9	Nov.	Pol. Mat. 2	153	23.17	0.25

10	474	0.25	0	3.8	0
48	17.11	3.12	26	10.0	6

CENTRAL AFRICAN					
	November	Caraculac 25c	82	22 9/34	2 1/2
	November	Palace Rly 50c	85	22 3/32	2 1/2
6 7	September	High Plains 12 1/2	25	22 1/2	2 1/2
	March	Riba Corp. 100-p	13	83	0 5/8
12 1/2	J. M. Ju. O.	Rosa Cons. 100	250	12 1/2	10 1/2
13 1/2	Jan. July	Tampabay 50p	147	10 1/2	24 1/2
16 1/2	Aug. July	Do. Prof. 50c	25	30 1/2	9 1/2

1072	—	—	—	—
245	40.37	—	—	—

AUSTRALIAN									
22	Armen 25c	25							
6.7	April A. B. and E. 50c	179	146	97c					
	Nov. Apr. Beaumontville 50c	115	149	Q30c					
17.6	Nov. June BR South 50c	165	974						
	Gold M. King \$1	43	867						
	September Hampton Areas 5p	70	287	1.18				4.2	
	Metals Ex. 50c	46							

23 | 11 | 2015 | - | 4

May	Sept.	Myra L. 25c	80	24	24
June	Nov.	Newmetal 10c	162	31.18	Q9c
June	Nov.	North B. Hill 51	6	23.9	1.6
June	Nov.	North Kalg. 20c	70	103c	1.5
June	Nov.	Oakbridge 541	10		
June	Nov.	Pacific Com. 25c	612.4		
June	Nov.	Pancom 17.5c	14		
June	Nov.	Purina M. Ex. Sp	525	31.5	Q15c
June	Nov.	Peto Walls 450c	160	39.6	
June	Nov.	Poss. due 21c			

128ml	22.3	3.77	●	4.5	●
128ml	22.3	3.77	●	4.5	●

Oct.	May W. Mining 50c	168	19	50c	R.R.
—	Winnipeg Creek 30c	42	—	—	—

TINS					
September	Annul Nigeria	37	9 1/2	5.62	1.41
Apr. Oct.	Ayer Britain	223	8 1/2	11.50	1.8
June	Oct. Brazil Tin	24	1.12	21.75	—
Jan. July	Berjantai 525c	12	12.12	50.92	—
Apr. July	Ex. Lead Tin	33	16.15	—	3.8

12	9.2	3.1	1.7
22	2.7	2.7	0

1971	June	Dec.	Gopeng Com.	216	261	11.0	1.9
1972			Bongkok	67	1167		
1973	Sep.	Mar.	Iris 10p	65	261	6.7	2.2
1974			Janur 12p	6	667		
1975	Dec.	Apr.	Kamunting 10p	32	2010	27.0	1.2
1976	July	Dec.	Killinghal	105	1210	050.0	
1977	12	Apr.	London 21 30p	157	111	7.0	1.3
1978	2	June	Malay Preying	210	112	10.7	2.0
1979	4	June	Al Pahang	22	229	062.6	
1980	7	July	Pengkalan 10p	27	261	7.0	1.5

37	9.2	2.8	1.0	10.8	13.0
578	1.12	0.97%	5.4	12.5	—
72	2.3	3.1%	1.8	11.3	3.1

Apr.	Nov.	South Kinta (10%)	91	262	99.5	1.5
June	Dec.	Sila Malayan	155	117	10.7	0.9
July	Dec.	Sungei Besi Zip	35	26	26.0	3.0
Mar.	Oct.	Sungei Way S21	32	974	2010	
Sept.	July	Tanjong 15p	48	261	4.0	
July	Sept.	Sungai Hs S21	42	31.1	0.29%	0.6
Apr.	Oct.	French	86	6.3	4.29	0

**COPPER**

49	22	1238	3.0	7.4	3.1
51	945	B-	—	—	2.4
52	2378	245	23	2.4	5.1

MISCELLANEOUS						
7.8		Barnes Mine 17 sp	9	19.9	m0.5	—
5.8		Charterhall 5p	28	37.7		—
4.5		Coos. Mar. 2. 10c	700	12.12	Q80c	1.8
3.5	Ang. Feb.	Lamaris	29			—
1.9		Northgate CS	400	2.3	1025c	1.8
7.6	July	E. T. 2	280	17.11	25.51	4.4
5.0	Jan. June	Solihie Leds. CS	87			—

50	1.3	3.15	3.4	5
66	22.3	93	6	10
87	14.7	42.8	9.7	

**NOTES**

Unless otherwise indicated, prices and net dividends are per share and denominated in U.S. dollars. Estimated price/earnings ratios and covers are based on latest annual reports and averages, and, where possible, are updated on half-yearly figures; they are indicated in ACT of 35 per cent. P/E ratios are calculated on the basis of

29	29.12	73.37	3.2	9.6	4.9
73	26.1	72.0	3.6	9.3	4.1

- Sterling denominated securities which include investment dollar premium.
- "Top" Stock.
- Rights and Loans marked thus have been adjusted to allow rights issues for cash.
- Loans increased or resumed.

\_\_\_\_\_

- 7.0 Figures or report omitted.
- 6.9 Basics and Insurance: reserve allocations may provide
- 8.5 calculation of dividend cover.
- 8.2 Price at time of suspension.
- 10.0 Indicated dividend after pending scrip and/or rights issue
- 11.6 cover relates to previous dividend or forecast.
- 9.1 Free of Stamp Duty.
- 4.9 Merger bid or reorganisation in progress.
- 3.0 Not comparable.
- 2.0 Same terms: reduced final and/or reduced earnings
- 1.0 indicated.

115	2010	6.0	3.0	8.0	6.5
631	2010	3.0	2.6	6.9	3.9

- 9.9 dividends or ranking; only for restricted dividend.
- 16.8 ☐ Cover does not allow for shares which may also rank at dividend at a future date. No P/E ratio usually provided
- 17.5 ☐ Excluding a final dividend declaration.
- 22.5 ☐ Regional price.
- 25.8 ☐ No par value.
- 31.4 ☐ Tax free.
- 35.1 ☐ Figures based on prospectus at other office estimate. ☐ Current dividend rate paid or payable on particular date; now based on dividend on full capital. ☐ Round off.
- 35.1 ☐ 1 Flt. yield. ☐ Assumed dividend and yield. ☐ Assumed dividend and yield after spin issue. ☐ P/E.

15	12.12	0.01	AL2	0.1	19.3
52	—	—	—	—	—

Figures: F Australian currency; a Dividend and yield exclude a special payment; I Indexed dividend: cover ratios; J Previous dividend; P/E ratio based on latest annual earnings; c Forecast dividend: cover based on previous year's earnings; w Tax free up to 50p in the £; w Yield allows for currency change; y Dividend and yield include a merger transaction; s Dividend and yield include a special payment; Cover does not apply to special payment.

5.6 A Not dividend and yield. B Preference dividend passed deferred. C Canadian. D Issue price. E Assumed dividend.

17	30.6	0.65	1.3	5.9	16.5
16	14.70	—	—	—	—

N Dividend and yield based on prospectus or other official estimates for 1976. Q Gross. T Figures assumed. U Significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: s ex dividend; sc scrip issue; w ex right; ex all; \$ ex capital distribution.

**"Recent Issues" and "Rights" Page 2**

61	112	19	4.9	17.3
110	110	15	1.6	53.5

... fee of £325 per annum for each security ...

Monday March 29 1976

INVESTORS

Only one service shows you which  
overseas shares have the most  
potential - International Share  
Ranking. Used by investment managers  
and stockbrokers everywhere. Weekly.  
£50 per annum. Monthly £125. In-  
formation and White Paper (01-923 1476) for  
further details.  
Chart Analysis Ltd. 194-200  
St. Andrew's, London, EC2M 4PE



## Scots given warning on devolution

BY CHRIS SAUR, SCOTTISH CORRESPONDENT

ONLY A DAY after the Scottish Labour movement celebrated the end of its nine-year search for unity on the controversial devolution issue, it was given a description of the price that English Labour MPs could demand for co-operating in setting up an elected Scottish Assembly.

The indication came from Mr. Eric Heffer, the Left-wing MP for Liverpool, Walton, who attended Labour's Scottish conference in Troon as an observer for the party's national executive committee. He told a packed fringe meeting that the fears of English MPs about the consequences of a Scottish Assembly might be subdued only by holding referenda in England, Scotland and Wales.

He said that people in each country should be asked three questions: 1. Do you want devolution? 2. Do you want to separate from other parts of the U.K.? 3. Are you in favour of the proposals for devolution in the Government's White Paper?

Describing himself jokingly as a "Heffer with horns" on devolution, the former industry Minister charged straight at the central issue by explaining that referenda would be the best means of removing from the debate the constitutional question about whether—as the Scottish Nationalists advocate—the Assembly would lead to Scottish separation and the destruction of the United Kingdom.

He was cheered when he said it was clear to him that despite the Scottish conference's vote for Assembly powers, the party was still "very unhappy" about the way it had become committed to the policy. Although the issue had never been debated or endorsed at a national party conference, he said, "we have in fact understood that it has gone so far now that there is no way out of it."

### Many cracks

Mr. Heffer's intervention evoked many of the cracks which the conference managers had worked hard to conceal.

Delegates agreed, without even a show of hands, for instance, that the Assembly should be given greater powers over trade and industry than those suggested by the Government. But unanimity on that issue was achieved on the floor of the conference by a 90-minute argument in one of the committee rooms before the devolution debate began.

It disarmed those factions who had wanted to spell out the demand for the Assembly to be given control of the regional development, manpower and training policy powers exercised by the Secretary of State for Scotland. This was too specific for unions like the engineers and, after some hesitation, the transport workers.

The formula which was eventually patched together and agreed by the conference stated simply that the Assembly "should have powers over trade and industry including the Scottish Development Agency."

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

formula which was eventually patched together and agreed by the conference stated simply that the Assembly "should have powers over trade and industry including the Scottish Development Agency."

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the

In the same way, the conference avoided spelling out with which tax mechanisms it wanted the



MR. ERIC HEFFER  
... questions for referenda

Assembly to supplement its block grant from Westminster. The Government, on the other hand, seems likely to accept most of the improvement suggested by the party in Scotland. In the draft Devolution Bill now being prepared, it seems probable that the Scottish Development Agency will be transferred fully to the Assembly; that there will be no mention of the controversial " veto " powers to be exercised by the Scottish Secretary and that the Assembly may be given a wider taxation portfolio than the proposed surcharge on local rates.

United stand  
The tactical importance of the conference decision, therefore, is that it will enable all wings of the movement—the Scottish Council of the Party, the Scottish Trade Union Congress and the Scottish MPs—to campaign on a common platform against the separatist policies of the Scottish National Party and the near-Federalist policies of the break-away Scottish Labour Party.

It may not be widely appreciated that this is the first time an agreed platform has been assembled by Labour in Scotland since the SNP breakthrough in 1967 first forced devolution onto the political agenda.

Much will now depend on how vigorously the policy is sold to the electorate in Scotland. That will rest heavily on the outcome of Labour's leadership election and any possible changes affecting the Scottish Office team.

Mr. Michael Foot, ahead in the leadership election, realised this when he addressed the conference at the week-end and pledged that there could be no going back on the far-reaching programme for devolution.

Scottish MPs attending the conference have been left in little doubt that the prospect of Mr. Foot's election genuinely excited the great majority of delegates.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

They rose to him with an emotional warmth which spoke volumes for the party's insistent desire to rekindle its socialist enthusiasms after so many unrewarding years of defensive politics in Scotland.

## Naval shipbuilders blame Ministry for delays

BY JOHN WYLES, SHIPPING CORRESPONDENT

A SHARP behind-the-scenes row has blown up between the Government and leading naval shipbuilding companies over responsibility for delays in the completion of warships for the Royal Navy.

Yosper Thornycroft, Vickers Shipbuilding and Yarrow Shipbuilders, who are campaigning against the Government's nationalisation compensation proposals, have reacted strongly against recent attempts by the Ministry of Defence to blame them publicly for slippages in the warship programme.

Ministers and officials accused the companies, among other things, of " antiquated management " when the Defence White Paper was published 12 days ago.

Feelings high  
Feelings are now running so high that one company is asking the Shipbuilders and Repairs National Association to raise the matter with the Government.

The three companies believe that the Ministry is as responsible as they are for delays now running at more than two years for some vessels.

They are particularly angry that the Ministry made no attempt, in their view, to set the record straight in evidence to the House of Commons last month when the committee whose report last month said it was " disturbed and disappointed " at slippages in the warship programme pointed out the consequential increase in defence costs.

Completion schedules have had to be revised for each of the main warship classes planned to be the backbone of Royal Navy strength well into the 1980s: the Type 22 frigates being built at Yarrow's, the Type 21 frigates under construction at the Royal Navy.

Yosper Thornycroft and the Type 42 destroyers, spread round three yards but whose prototype, together with that of an anti-submarine cruiser, is Vickers responsibility.

The Common Expenditure Committee was especially critical of delays on the Vickers cruiser which the Ministry attributed to evidence to labour shortages, partly due to a drift of skilled workers to the Continent and the North Sea oil industry.

In the process, the Ministry implied, Vickers had not its manpower sums wrong.

This has left the yard at Barrow bristling with irritation in having left the Ministry in no doubt that the principal cause of delay on the cruiser was a running programme of modifications introduced by the Ministry for the prototype, HMS Sheffield, which Vickers began building in 1969.

These design changes are understood to have overruled all Vickers' manpower calculations and affected not only the cruiser, but other vessels on the Barrow yard building programme.

The implication is that the Ministry's initial design under-estimated the Type 42 technological complexity and that a stream of changes between 1971

and 1975 so upset the company's manpower planning that the second Type 42 under construction, HMS Cardiff, has had to be sent round to Swan Hunter's yard on the Tyne for fitting out.

Manpower losses to the Continent and North Sea oil, amounting to 500 out of a labour force of 14,000, are thought to be far less significant.

Unfair  
Against this background, the Ministry's recent attempts to lay the blame on poor management and intransigent trade unions is seen as unfair.

Yosper, which has been running two years late on the Type 21S, has recently secured a High Court judgment supporting its claim that the Ministry's failure to supply equipment for the vessels according to schedule should be taken into account in the final contract.

Contracts are also a source of irritation between Vickers and the Ministry which wants to renegotiate the agreement for the cruiser so as to build in an incentive element aimed at speeding up delivery, originally due 1977-78 now unlikely before 1980.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

Discussions are still under way with Vickers resisting a final commitment until it can judge inflationary trends better. In the meantime, a formal announcement is expected shortly that the contract for the second anti-submarine cruiser will be placed with Swan Hunter.

## Contradictions in company tax

Stockbrokers are nervously discussing the chance that a short-term Capital Gains Tax will be reimposed in the forthcoming Budget—a reflection of the political attitude that the Stock Market is a place for raising long-term capital rather than for buying and selling securities, and that the second activity can be damped down without doing harm to the first.

As it happens, the technical problems facing the Chancellor here are considerable. Yet the market certainly has grounds for pessimism: the present Government's record includes, after all, the doubling of stamp duty, and the imposition of new tax uncertainties—CIT and the threatened Wealth Tax—which have helped to choke off the flow of new company flotations.

The sensitivity of Whitehall to the needs of the capital market is a problem in itself—repeated calls for increased industrial investment contrast strangely with the two per cent stamp duty levied on company issues, and the gains tax advantages of gilt-edged. But it pales into relative insignificance compared with the mess into which corporate taxation as a whole has been dragged. Many of the difficulties, unsurprisingly, reflect the impact of inflation and the ad hoc responses that have been made to it.

Shareholders  
The contradictions centre around Corporation Tax itself. The imputation system, it may be distantly remembered, was originally introduced by the 1970-74 Conservative Government largely on the grounds that it would unify the interests of companies and their shareholders. Dividends and retentions would be taxed at the same rate. But this has all been turned upside down. The various tax reliefs on capital investment and stock appreciation, coupled with the collapse in underlying profitability, have produced a situation in which the average U.K. industrial company pays little or no main-stream Corporation Tax at all.

In many cases the only tax paid is the ACT associated with dividends. Total Corporation Tax receipts will be little more than £2bn. for the current financial year (against some £15bn. for Income Tax) and nearly half will be accounted for by ACT. This has gravely

interfered with the elaborate systems of concessions and incentives. Companies can no longer count on free depreciation being of benefit to cash flow in practice. They can no longer assume that the cost of debt interest is cheapened by the availability of tax relief, making it impossible to work out the net cost of capital.

Moreover, the existing tax reliefs have produced a legacy of deferred taxation in balance sheets. The status of this growing deferred liability is highly uncertain. The Bank of England thinks it is a solid enough item to count as part of a bank's capital base, but it is unlikely that commercial banks will be quite so generous to their own customers when calculating creditworthiness.

Another tax anomaly arises from the indirect effects of inflation on the sterling exchange rate: the present rules are very harsh on the many companies suffering from exchange losses on mismatched borrowings, for tax relief may not be available. With industrial companies who have gone into this with their eyes open. But there is a need for sympathetic treatment for banks where it has been made unduly hazardous to run currency hedges.

The only satisfactory way out of the Corporation Tax mess will be to seek an urgent improvement in profitability. But in the meantime Mr. Healey should make it clear there is no question of tax being called on while the news from most stock appreciation. It is absolute relief is conceded here, however, it will be difficult to argue that tax should be payable on share market—30 per cent the appreciation of longer term below its 1975-76 high of last financial year (against some £15bn. for Income Tax) and nearly half will be accounted for by ACT. This has gravely

interfered with the elaborate systems of concessions and incentives. Companies can no longer count on free depreciation being of benefit to cash flow in practice. They can no longer assume that the cost of debt interest is cheapened by the availability of tax relief, making it impossible to work out the net cost of capital.

Moreover, the existing tax reliefs have produced a legacy of deferred taxation in balance sheets. The status of this growing deferred liability is highly uncertain. The Bank of England thinks it is a solid enough item to count as part of a bank's capital base, but it is unlikely that commercial banks will be quite so generous to their own customers when calculating creditworthiness.

Another tax anomaly arises from the indirect effects of inflation on the sterling exchange rate: the present rules are very harsh on the many companies suffering from exchange losses on mismatched borrowings, for tax relief may not be available. With industrial companies who have gone into this with their eyes open. But there is a need for sympathetic treatment for banks where it has been made unduly hazardous to run currency hedges.

The only satisfactory way out of the Corporation Tax mess will be to seek an urgent improvement in profitability. But in the meantime Mr. Healey should make it clear there is no question of tax being called on while the news from most stock appreciation. It is absolute relief is conceded here, however, it will be difficult to argue that tax should be payable on share market—30 per cent the appreciation of longer term below its 1975-76 high of last financial year (against some £15bn. for Income Tax) and nearly half will be accounted for by ACT. This has gravely

interfered with the elaborate systems of concessions and incentives. Companies can no longer count on free depreciation being of benefit to cash flow in practice. They can no longer assume that the cost of debt interest is cheapened by the availability of tax relief, making it impossible to work out the net cost of capital.

Moreover, the existing tax reliefs have produced a legacy of deferred taxation in balance sheets. The status of this growing deferred liability is highly uncertain. The Bank of England thinks it is a solid enough item to count as part of a bank's capital base, but it is unlikely that commercial banks will be quite so generous to their own customers when calculating creditworthiness.

Another tax anomaly arises from the indirect effects of inflation on the sterling exchange rate: the present rules are very harsh on the many companies suffering from exchange losses on mismatched borrowings, for tax relief may not be available. With industrial companies who have gone into this with their eyes open. But there is a need for sympathetic treatment for banks where it has been made unduly hazardous to run currency hedges.

The only satisfactory way out of the Corporation Tax mess will be to seek an urgent improvement in profitability. But in the meantime Mr. Healey should make it clear there is no question of tax being called on while the news from most stock appreciation. It is absolute relief is conceded here, however, it will be difficult to argue that tax should be payable on share market—30 per cent the appreciation of longer term below its 1975-76 high of last financial year (against some £15bn. for Income Tax) and nearly half will be accounted for by ACT. This has gravely

interfered with the elaborate systems of concessions and incentives. Companies can no longer count on free depreciation being of benefit to cash flow in practice. They can no longer assume that the cost of debt interest is cheapened by the availability of tax relief, making it impossible to work out the net cost of capital.

Moreover, the existing tax reliefs have produced a legacy of deferred taxation in balance sheets. The status of this growing deferred liability is highly uncertain. The Bank of England thinks it is a solid enough item to count as part of a bank's capital base, but it is unlikely that commercial banks will be quite so generous to their own customers when calculating creditworthiness.

Another tax anomaly arises from the indirect effects of inflation on the sterling exchange rate: the present rules are very harsh on the many companies suffering from exchange losses on mismatched borrowings, for tax relief may not be available. With industrial companies who have gone into this with their eyes open. But there is a need for sympathetic treatment for banks where it has been made unduly hazardous to run currency hedges.

The only satisfactory way out of the Corporation Tax mess will be to seek an urgent improvement in profitability. But in the meantime Mr. Healey should make it clear there is no question of tax being called on while the news from most stock appreciation. It is absolute relief is conceded here, however, it will be difficult to argue that tax should be payable on share market—30 per cent the appreciation of longer term below its 1975-76 high of last financial year (against some £15bn. for Income Tax) and nearly half will be accounted for by ACT. This has gravely

interfered with the elaborate systems of concessions and incentives. Companies can no longer count on free depreciation being of benefit to cash flow in practice. They can no longer assume that the cost of debt interest is cheapened by the availability of tax relief, making it impossible to work out the net cost of capital.

Moreover, the existing tax reliefs have produced a legacy of deferred taxation in balance sheets. The status of this growing deferred liability is highly uncertain. The Bank of England thinks it is a solid enough item to count as part of a bank's capital base, but it is unlikely that commercial banks will be quite so generous to their own customers when calculating creditworthiness.

Another tax anomaly arises from the indirect effects of inflation on the sterling exchange rate: the present rules are very harsh on the many companies suffering from exchange losses on mismatched borrowings, for tax relief may not be available. With industrial companies who have gone into this with their eyes open. But there is a need for sympathetic treatment for banks where it has been made unduly hazardous to run currency hedges.

The only satisfactory way out of the Corporation Tax mess will be to seek an urgent improvement in profitability. But in the meantime Mr. Healey should make it clear there is no question of tax being called on while the news from most stock appreciation. It is absolute relief is conceded here, however, it will be difficult to argue that tax should be payable on share market—30 per cent the appreciation of longer term below its 1975-76 high of last financial year (against some £15bn. for Income Tax) and nearly half will be accounted for by ACT. This has gravely

interfered with the elaborate systems of concessions and incentives. Companies can no longer count on free depreciation being of benefit to cash flow in practice. They can no longer assume that the cost of debt interest is cheapened by the availability of tax relief, making it impossible to work out the net cost of capital.

Moreover, the existing tax reliefs have produced a legacy of deferred taxation in balance sheets. The status of this growing deferred liability is highly uncertain. The Bank of England thinks it is a solid enough item to count as part of a bank's capital base, but it is unlikely that commercial banks will be quite so generous to their own customers when calculating creditworthiness.

Another tax anomaly arises from the indirect effects of inflation on the sterling exchange rate: the present rules are very harsh on the many companies suffering from exchange losses on mismatched borrowings, for tax relief may not be available. With industrial companies who have gone into this with their eyes open. But there is a need for sympathetic treatment for banks where it has been made unduly hazardous to run currency hedges.

The only satisfactory way out of the Corporation Tax mess will be to seek an urgent improvement in profitability. But in the meantime Mr. Healey should make it clear there is no question of tax being called on while the news from most stock appreciation. It is absolute relief is conceded here, however, it will be difficult to argue that tax should be payable on share market—30 per cent the appreciation of longer term below its 1975-76 high of last financial year (against some £15bn. for Income Tax) and nearly half will be accounted for by ACT. This has gravely

interfered with the elaborate systems of concessions and incentives. Companies can no longer count on free depreciation being of benefit to cash flow in practice. They can no longer assume that the cost of debt interest is cheapened by the availability of tax relief, making it impossible to work out the net cost of capital.

Moreover, the existing tax reliefs have produced a legacy of deferred taxation in balance sheets. The status of this growing deferred liability is highly uncertain. The Bank of England thinks it is a solid enough item to count as part of a bank's capital base, but it is unlikely that commercial banks will be quite so generous to their own customers when calculating creditworthiness.

Another tax anomaly arises from the indirect effects of inflation on the sterling exchange rate: the present rules are very harsh on the many companies suffering from exchange losses on mismatched borrowings, for tax relief may not be available. With industrial companies who have gone into this with their eyes open. But there is a need for sympathetic treatment for banks where it has been made unduly hazardous to run currency hedges.

The only satisfactory way out of the Corporation Tax mess will be to seek an urgent improvement in profitability. But in the meantime Mr. Healey should make it clear there is no question of tax being called on while the news from most stock appreciation. It is absolute relief is conceded here, however, it will be difficult to argue that tax should be payable on share market—30 per cent the appreciation of longer term below its 1975-76 high of last financial year (against some £15bn. for Income Tax) and nearly half will be accounted for by ACT. This has gravely

interfered with the elaborate systems of concessions and incentives. Companies can no longer count on free depreciation being of benefit to cash flow in practice. They can no longer assume that the cost of debt interest is cheapened by the availability of tax relief, making it impossible to work out the net cost of capital.

Moreover,